



Be the difference that impacts our world



**Task Force on
Climate-related
Financial Disclosures
(TCFD) Report**
for the year ended 31 December 2021



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NEDBANK
GROUP

Our reporting universe

As part of our comprehensive integrated and ESG reporting, this 2021 Integrated Report is supplemented by our various online publications and additional information available at nedbankgroup.co.za.

Forward-looking statements

This report contains certain forward-looking statements about Nedbank Group's financial position, results, strategy, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group's joint auditors.

Forward-looking statements made by Nedbank Group on 9 March 2022 at the time of releasing our 2021 results were informed by the group's business plans and economic forecasts in February 2022.



Financial and risk management reporting



- 2021 Results Booklet and presentation
- 2021 Nedbank Group Annual Financial Statements
- 2021 Pillar 3 Risk and Capital Management Report

These reports include information relating to the group's financial position and performance. They are primarily of interest to Nedbank's equity and debt investors, credit rating agencies, depositors, regulators and various other stakeholders. The information disclosed is used to assess the group's financial performance and strength, and includes risk and regulatory disclosures.

Climate reporting



- Task Force on Climate-related Financial Disclosures (TCFD) Report
- Nedbank Energy Policy
- Nedbank climate change position statement

These reports include information relating to the group's climate-related activities, policies, governance, strategy, disclosures and targets. They are primarily of interest to investors, non-governmental organisations (NGOs) and environmental, social and governance (ESG) ratings agencies as well as key stakeholders such as corporate clients and invested members of society who want to partner with values-aligned companies. The information disclosed is typically used to assess Nedbank's progress in minimising its negative impacts and optimising its positive impacts in addressing climate change.

Societal reporting



- Sustainable Development Review
- Human Capital Review
- Transformation Review
- Financial Inclusion Review
- Stakeholder Engagement Review

Broad-based black economic empowerment (BBBEE) certificate*
Global Reporting Initiative Standards*

These reports include information relating to how the group uses its financial expertise to create positive economic, societal and environmental impacts. They are primarily of interest to investors, employees and those looking to join Nedbank, regulators, NGOs, existing and prospective clients, ESG ratings agencies and engaged members of society. The information disclosed demonstrates progress in how Nedbank is fulfilling its purpose.

Governance reporting



- Governance Review
- Ethics Review
- Market Conduct Review (Treating Clients Fairly)
- Financial Crime Review (AML, fraud and cybercrime)
- Remuneration Review
- Tax Review

Key policies*
Boardmember and group executive profiles*

These reports include information relating to governance-related aspects, including board matters, ethics, market conduct, financial crime, tax and remuneration. They are primarily of interest to investors, ESG rating agencies, clients, employees, regulators, suppliers and members of society. The information disclosed demonstrates how Nedbank does business according to sound governance practices, and the highest standards of ethics, integrity, transparency and accountability.

Shareholder information



- Notice of 55th annual general meeting (AGM)
- Form of proxy

Shareholding profile*

The Notice of AGM and form of proxy provide valuable information to shareholders who want to vote at the Nedbank Group's 55th AGM.

* Available separately at nedbankgroup.co.za.

Navigating our TCFD Report

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- Mike Brown, CE

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'The banks of the world have a central role to play in driving sustainable development by directing capital to where it is needed most.'
- Mike Brown, CE

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Nedbank is committed to tracking and managing our own operational, lending and investment impact.

Climate change is the single largest threat we are facing as a society. Its impacts are predicted to be far-reaching. Already we are beginning to observe more frequent severe weather events. Nedbank is committed to achieving the goals of the Paris Agreement, and keeping global warming well below 2°C above pre-industrial levels by 2050. In doing this, we acknowledge that all stakeholders have to play their part.



- 55 **Annexure A:** Alignment to the recommendations of the Task Force on Climate-related Financial Disclosures
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Key insights

The four seasons of summer, autumn, winter and spring have different attributes, light schemes, colours, weather patterns and temperatures. All four seasons are vitally important to realise the full range and potential of the planet's ecology and human activity. Similarly, each one of the four TCFD pillars is vitally important for effectively managing climate-related risks and opportunities.



Governance

- A first for the South African (SA) financial services sector, our dedicated governance structures are as follows: Group Climate Resilience Committee (board subcommittee), Climate Risk Committee (Group Exco subcommittee) and Climate Task Team.
- The Group Climate Resilience Committee, newly established in March 2021, has had an excellent start to its work and is highly effective in fulfilling and delivering on its responsibilities.
- Climate-related governance committees were successfully integrated and they collaborated with broader governance structures.



Strategy

- Climate-related risks and opportunities are integrated in strategic planning.
- Visible and impactful contributions were made to the six Sustainable Development Goals (SDGs) that respond directly to addressing climate change.
- We use our 'deep green' Nedbank brand to offer innovative client solutions and facilitate the transition to a greener economy.
- Financial impacts of climate-related activities were reported as part of the YE2021 analyst results booklet.
- Climate scenario results were used to inform business and potential lending book limits.



Metrics and Targets

- Funding of green embedded-energy generation and funding of Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) funding exposures are almost double that of the funding exposures to oil, thermal-coal, gas and non-renewable power generation.
- All targets related to paper, water, waste, recycling, energy and/or electricity consumption are on track or have been achieved.



Risk Management

- Nedbank has demonstrated our leadership position in climate-related matters and continues to enhance and fast-track our maturity in climate risk management.
- The Three-lines-of-defence Model and coordinated (combined) assurance are actively practised.
- Climate risk is integrated into other risk types (eg credit, market, operational, funding risks) and included in the Internal Capital Adequacy Assessment Process.
- Climate risk appetite targets and limits were set in 2020 and were all within appetite during 2021.

Nedbank positioning campaigns

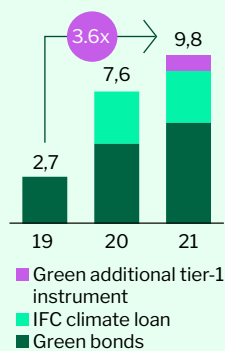
Through our campaigns, we demonstrate how Nedbank truly walks sustainable growth (versus just talking sustainable growth).



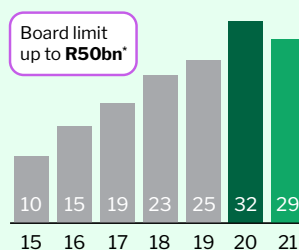
Key insights (continued)

Creating positive impacts — anchoring our position as an impact financier

Sustainable funding (Rbn)



Renewable-energy (REIPPPP) financing (exposures, Rbn)



Added > 3 500 MW renewable energy to the national grid (R35bn underwritten), excluding emergency round (round 4,5 and round 5).

Journey to zero exposure to fossil-fuel-related activities by 2045



Why 'Net zero', rather than 'zero'?

Nedbank has targeted having 100% of its lending and investment activity supporting a net-zero carbon economy by 2050. Nedbank supports net zero, and not absolute zero, because even if government, business and consumers decarbonise our electricity grids entirely, make green hydrogen production affordable and commute in electric vehicles, there will still be residual emissions left by 2050. Most of those residual emissions will come from hard-or impossible-to-abate sectors, including farming, aviation, some heavy industry, and waste.

A bank that walks sustainable growth

As Nedbank, we posed a critical question to SA's business community: 'Does your bank talk sustainable growth, or walk it?' We posed this question through the creation of our innovative billboard, located in SA between Sandton Drive and William Nicol Drive in Sandton. The billboard uses a hybrid solar energy system to light up at night and drive its 'wind turbines' around the clock.



Sustainably investing in South Africa

Being the difference that impacts our world

- Committed to supporting government's infrastructure programme.
- Mobilising capital, resources and networks to play our part in a sustainable South Africa.

Having our sustainable-finance expertise acknowledged externally

- Arranging innovative green bond solutions.
- Partnering with clients to drive ESG objectives through sustainability-linked solutions.

Driving the transition to renewable energy

Operating environment: Nedbank participated in four projects in the emergency renewable-energy round (500 MW to be finalised by Q1 2022):

- Round 5 of the REIPPPP concluded (2 600 MW); thinly priced market.
- Round 6 bids (2 600 MW); opened in H1 2022.



* The R50bn is a risk limit specifically for the REIPPPP, subject to ongoing board review. We anticipate that this limit will be reconsidered at the appropriate time as the programme continues with its success.

Key insights (continued)

Creating positive impacts — environmental and social/societal



87%
of Nedbank-owned
buildings **Green Star-rated**

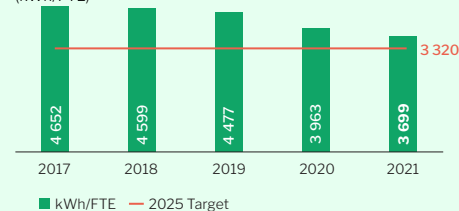
R25bn of exposure linked to
green-certified properties and those
with **sustainable features**



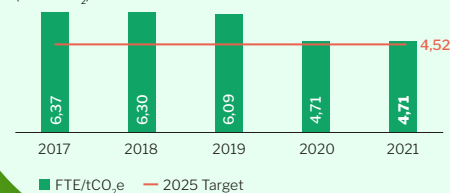
R800m
lending towards
water projects in
2021

Own operational total
water consumption
down by **18%** yoy
(39% since 2019)

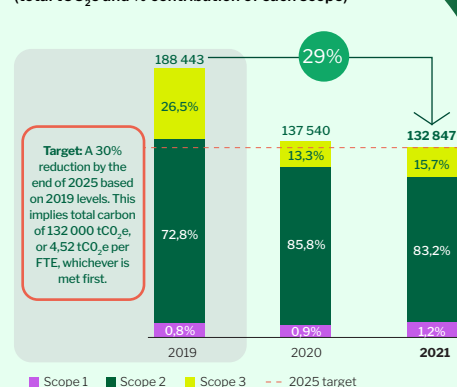
Fossil-fuel-based electricity per full-time employee (FTE)
(kWh/FTE)



Emissions per FTE
(FTE/tCO₂e)



Nedbank Group GHG emissions inventory
(total tCO₂e and % contribution of each scope)



Key highlights of Nedbank's climate journey throughout the past year

Renewable-energy solutions

Continued support of the **REIPPPP** with facility limits of
R35,3bn
4,1% of GLAA
at 31 December 2021

The combined **Embedded Energy Generated Projects** facility* limits
▲ by R104m
to R1,1bn
0,1% of GLAA at
31 December 2021

Financing of fossil-fuel-related activities

Facility limits for
upstream oil
▼ by R2,3bn
to R13,5bn
1,6% of GLAA
at 31 December 2021

Facility limits for non-renewable power generation
▼ by R739m
to R10,7bn
1,3% of GLAA
at 31 December 2021

Facility limits for
thermal coal
▼ by R2,9bn
to R2,8bn
0,3% of GLAA
at 31 December 2021

Facility limits for
upstream gas
▼ by R4,1bn
to R468m 0,1%
of GLAA at
31 December 2021

Own operations

Our own operations have been carbon-neutral for the last
12 years

Total carbon emissions tCO₂e
▼ by 29,5%
since the 2019 baseline year

Key performance targets for 2025 as compared to the 2019 baseline year:

Paper consumption
Achieved

Water consumption
Achieved

Waste to landfill
On track

Recycling rates
Achieved

* Combined energy projects refer to both embedded-energy projects (South Africa) and African renewable-energy projects.

Key performance indicators for 2021 compared to 2019 (baseline year)

Carbon emissions

Emissions per FTE
▼ by 1,38
tCO₂e to
4,71 tCO₂e per full-time
employee (FTE)

Emissions per m²
▼ by 0,07
tCO₂e per m² to
0,22 tCO₂e per m²

Emissions per operating income
▼ by 1,38
g/rand to
2,57 (g/rand)

Electricity consumption

Electricity consumption in kWh per FTE
▼ by 778
kWh/FTE to
3 699 kWh/FTE

Paper consumption

Paper usage per FTE
▼ by 0,0234
tonnes/FTE to 0,0033
tonnes/FTE

‘The change in the energy mix over the next 30 years is one of the defining challenges of our generation.’

Mike Brown, Chief Executive

Introduction

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Background

Climate change is one of the greatest threats we are facing as a society. Its impacts are predicted to be far-reaching. Already we are beginning to observe more frequent and severe weather events. Nedbank is committed to achieving the goals of the Paris Agreement, keeping global warming well below 2°C above pre-industrial levels by 2050 and to pursue efforts to limit the temperature increase to 1,5°C.

We have further targeted having 100% of our lending and investment activity supporting a net-zero carbon economy. This effectively means that we aim to create a balance between the quantity of greenhouse gases (GHGs) produced and replacing GHG-intensive technology in the energy mix to contribute towards reducing GHG emissions in the atmosphere. In doing this, we acknowledge that all stakeholders have to play their part in this journey. This report discloses our journey, both regarding steps that we have taken and steps that we will continue to take to identify, adapt to and mitigate climate-related risks in our business. In doing this we will respond pragmatically to risks and unlock climate-related opportunities, which we will harness to deliver value for our stakeholders.



As part of our journey as a purpose-led business, we are committed to playing a leading role in addressing climate change in ways that are sensitive to the local socioeconomic context and climate vulnerability. Nedbank released its first TCFD Report on 22 April 2021. Our 2020 TCFD Report won Best Climate-related Reporting at the 2021 ESG Reporting Awards hosted by ESG Investing. We are proud to release our second TCFD Report as part of our suite of annual environmental, social and governance (ESG) reporting. The group supports the four pillars and 11 recommendations of the Financial Stability Board's TCFD. The 2021 Nedbank TCFD Report aligns to the TCFD recommendations as a framework to report against and we will, over time, incorporate more granular aspects of the TCFD into our reporting.

Through the consideration of the material matters that shape our strategic developments, and our Sustainable Development Framework, our businesses develop strategies that include a focus on identifying strategic areas within our nine focal Sustainable Development Goals (SDGs) with business opportunities and risks as well as cost savings.

We intend to continuously expand and refine our reporting by ensuring that climate-related risks and opportunities are

embedded firmly in our business activities. As part of enhancing our TCFD reporting going forward, we will also focus on further developing our disclosures on metrics and targets in line with international developments taking place such as the International Sustainability Standards Board, which provides, among other things, a globally consistent reporting baseline, as well as the Johannesburg Stock Exchange (JSE's) Sustainability and Climate Change Disclosure Guidelines.

Most notably, we have established integrated climate-related governance structures and published our Energy Policy – a blueprint for supporting the objective of realising a carbon-neutral economy by 2050, setting out a number of key milestones that will steer a systemic withdrawal from the funding of fossil fuels over a time frame in favour of the financing of renewable-energy and embedded-energy solutions.

In addition, we designed a climate risk plan to operationalise our Climate-related Risk Management Framework (CRMF) and to support our clients as they undertake the transition journey to support a thriving, inclusive and greener economy. This report should be read in conjunction with our suite of annual reporting.

Be the difference that impacts our world

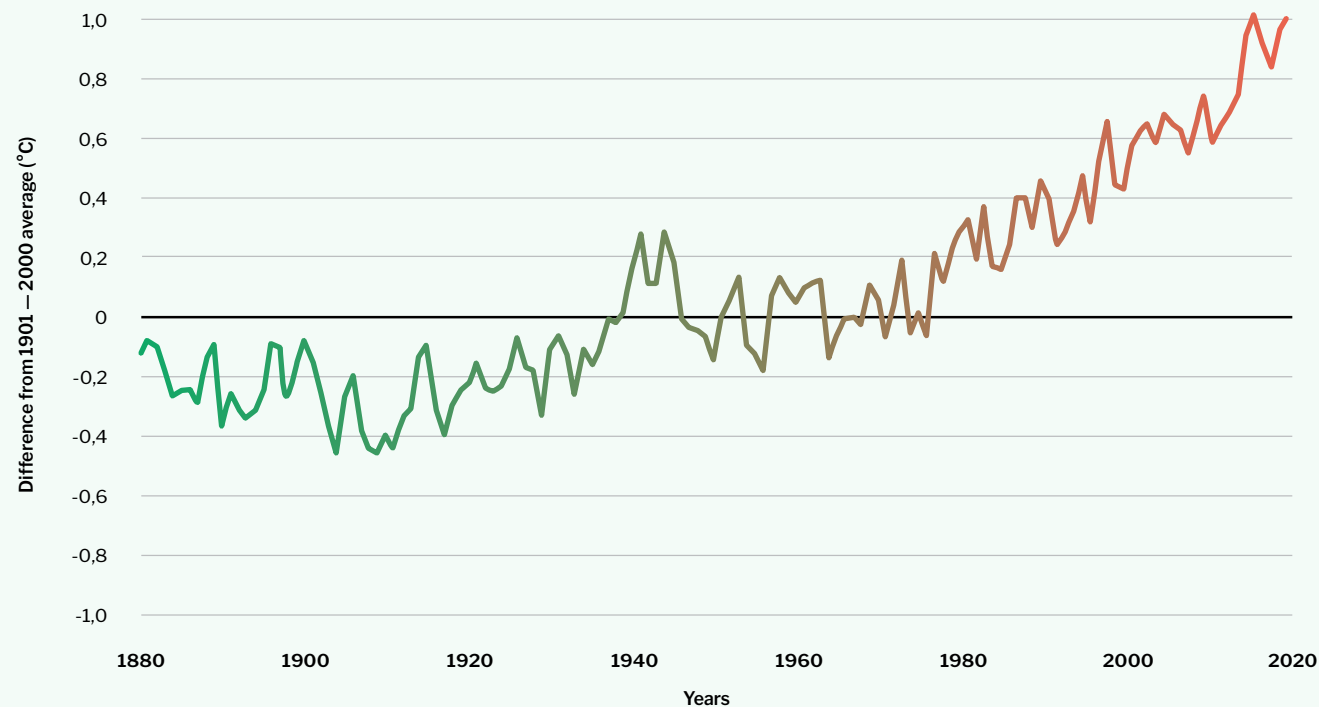
Global climate change developments in 2021

Following the release of our first TCFD Report in 2021, we have focused on key developments in the climate risk space to inform our strategy and our TCFD Report. The current warming trends show that 2020 was the hottest year on record (NASA Goddard Institute for Space Studies). It is undeniable that anthropogenic activities have warmed the earth since the Industrial Revolution in the 19th century. The average surface temperature has increased by about 1°C since the late 19th century. This is driven primarily by an increase in GHGs, particularly carbon dioxide (CO₂) into the atmosphere. Warming has increased over the last 40 years, with 2016 to 2021 being a period of intense warming. The global temperatures for 2021 saw a slight decrease, driven by moderately strong La Niña conditions in the late part of 2020 and early 2021. Despite these lower temperatures, 2021 is still one of the hottest years on record.

The Intergovernmental Panel on Climate Change (IPCC) Working Group I: The Physical Science Basis issued its contribution to the Sixth Assessment Report (AR6) in August 2021. It confirmed that the window for avoiding dangerous climate change is closing fast. The global average temperature versus long-term pre-industrial levels has already risen by 1,2°C. The remaining carbon budgets that correspond to the Paris Agreement temperature thresholds are diminishing rapidly. For a two-thirds probability of limiting warming to 1,5°C, an estimated 400 gigaton of carbon dioxide (GtCO₂) remains from the beginning of 2020 onwards. At the 2019 rate of CO₂ emissions, this would be exhausted within 9,5 years. For the same probability of avoiding 2°C, the remaining budget is estimated at 1 150 GtCO₂ from 2020 onwards, which is equivalent to 27 years at the 2019-level of emissions.

The assessment reports of the IPCC Working Group II: Impacts, Adaptation and Vulnerability, and Working Group III: Mitigation of Climate Change, issued in early 2022, describe in more detail the urgency, scale and extent of interventions required to 'manage the unavoidable' while 'avoiding the unmanageable'. At the time of writing, it remains unclear whether the discontinuities triggered by the Covid-19 pandemic have helped or hindered efforts to reconfigure economies and deliver a net-zero climate-resilient future. The rebound in global emissions experienced in 2021 indicate that the sharp drop in 2020 may have been no more than a temporary reprieve, although investment trends in renewable-energy and transport electrification signal that profound change remains possible.

Global average surface temperature



Source: <https://www.climate.gov/news-features/understanding-climate/climate-change-global-temperature>



26th United Nations (UN) Climate Change Conference of the Parties (COP26) and local climate change developments

COP26 has been dubbed ‘the business COP’ because of the significant focus on the roles and responsibilities of the world’s private sectors in driving and supporting the necessary climate change actions in the coming years. The commitments made in Glasgow will hopefully reshape the agenda for global business and create significant opportunities for businesses that are serious about playing their part in addressing climate change by accelerating climate action at system levels across industries, and within their own organisations. One of the key takeaways from COP26 for businesses are to be bold in their decision-making while embedding the climate transition into their activities. **A closer look at COP26 outcomes and what it means for South Africa:**

South African climate frameworks drive Nedbank’s climate change journey, as a majority of our assets are located in the country. We have focused our understanding of COP26 in this light.



Pledging to slow temperature rise

South Africa has set an ambition of a net-zero carbon economy by 2050 and as part of its updated NDC revised its target emission range to align with the global goal of limiting temperature increases to 1.5°C by the end of the century.



Net-zero carbon targets

A number of countries declared long-term net-zero carbon goals ahead of COP26. This means that around 90% of emissions around the world are now subject to net-zero targets.



A focus on climate finance

At COP26, a number of developed countries and regions, including the European Union (EU), committed to developing a revised three-year climate finance plan and 2025 goal. The intention is that this revised goal will not only support the mitigation and decarbonisation efforts of developing countries, but also involve an increase in financial support for their adaptation efforts.



New collaborative models

Some of the most significant outcomes of COP26 were the result of meetings and discussions between governments, cities and companies that fell outside of the main UN process. These agreements ranged from phasing down coal power and reducing methane emissions, to ending deforestation and greening financial services.



One such agreement was the announcement of a finance partnership between South Africa and a consortium consisting of France, Germany, the United Kingdom (UK), the United States of America (USA), and the EU. The partnership is intended to support South Africa’s just transition to a net-zero economy.

South Africa’s response to climate change is built around the imperative for a just transition. This prioritises a deliberate move towards a green economy (low carbon and climate resilient) in a way that also reduces inequality, strengthens social cohesion, helps to reduce poverty and creates many sustainable employment opportunities. The finance partnership will work towards driving this just transition by mobilising an initial US\$8,5 billion over the next three to five years.



A warning about misusing offsets

The consensus at COP26 was that countries and businesses need to guard against excessive offsetting as a means of avoiding doing the real work of reducing emissions. Rather, offsets should be used only to neutralise small residual emissions from hard-to-abate economic sectors.



Companies advised to plan ahead

The possibility of catastrophic climate change remains real and the costs of extreme weather events cannot be ignored. This means that organisations need to consider a wide range of climate change scenarios and potential impacts to ensure a well-managed, appropriately paced and just transition.

Nedbank’s commitments in terms of the net-zero carbon economy are encompassed mainly in three climate documents. The first, the Nedbank Climate Change Position Statement, which sets out our ambition to be at the forefront of managing climate change risks and financing innovative solutions. The second, the Nedbank Energy Policy, which guides our transition away from involvement in, or funding of, fossil fuels, while at the same time accelerating our efforts to finance the renewable-energy solutions needed to move SA towards the achievement of its green economy. Thirdly, our TCFD reporting suite.

On the horizon — what to expect from COP27

COP27 will be hosted in Egypt in 2022. The expected focal points for COP27 will be on resilience, adapting to climate change and the funding associated with potential losses and damage. There is an overall expectation for new frameworks to be launched on resilience for different players at all levels (from country level down to supply chain). Frameworks and policies like these may help business with guidance on being resilient in the face of climate change and transitioning to a low-carbon economy.

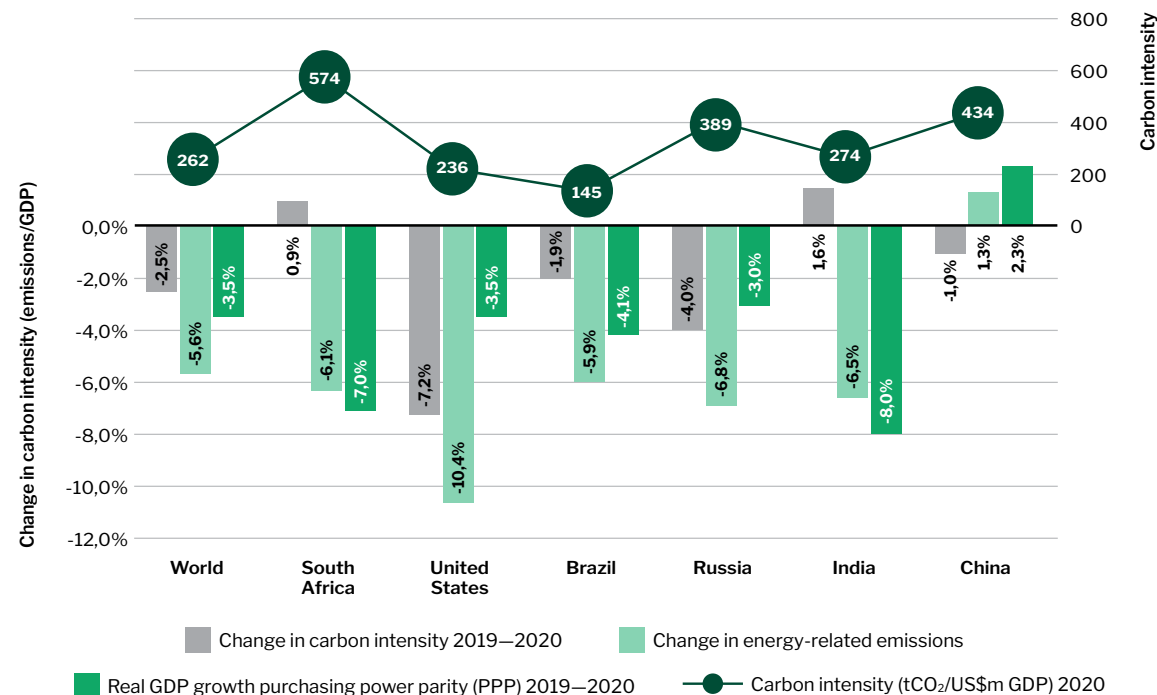
How does South Africa respond to changing contexts?

Key elements of South Africa's NDC is improving the current socioeconomic context and improving the current climate change resilience. Further considerations are the prioritisation of employment opportunities, improving wealth and promoting equality as a response to the effects of Covid-19. This makes it absolutely essential that we achieve a just, equitable and inclusive transition that creates opportunities for all, especially for workers impacted by the transition away from coal, safeguards the economy, and protects vulnerable communities against the risks of climate change.

The 2021 Net-zero Economy Index published by PwC South Africa highlights that there is a strong link between economic growth and the emission of carbon in South Africa. The research shows that South Africa's carbon intensity increased despite the hard Covid-19 lockdowns experienced in the country. Research by the Swiss RE Institute draws a link between increases in temperature as a result of climate change and decreases in GDP relative to a world where climate change does not exist. In this Swiss RE research, even if the goals of the Paris Agreement are met, South Africa is predicted to have a 6,9% decrease in GDP in relation to a world without climate change. South Africa's coal-dependent economy employs over 90 000 individuals in areas of high unemployment, which emphasises the need for a just transition.

Since the Paris Agreement underscores 'the imperatives of a just transition of the workforce and the creation of decent work and quality jobs', the just transition is not a trade-off versus climate action; its achievement is linked inextricably to avoiding dangerous climate change. Nedbank aims to be at the forefront of managing climate change risks and financing innovative solutions in ways that are sensitive and flexible to the specific contexts and markets in which it operates, guided by South Africa's overarching ambition of achieving net zero by 2050. Since most physical capital (eg power plants, industrial facilities, buildings, transportation infrastructure) implicated in GHG emissions is long-lived, the timing of the shift in investments and strategies will be crucial to avoiding a disorderly transition.

Selected G20 countries for comparison across changes in carbon intensity



Source: Adapted from PwC Net-zero Economy Index 2021

**Some see a farm.
We see job creation.**

Seeing the gold in green.

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**Some see renewable energy.
We see youth empowerment.**

Seeing the gold in green.

see money differently

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Geopolitical developments

The invasion of Ukraine by Russia in February 2022 has triggered a coordinated policy response that will have ramifications across the globe. The first-order impacts on the global financial system seem likely to be contained although, the risk of contagion cannot be ruled out. The greater impact may be from broader second-order geopolitical, macroeconomic, and systemic shifts that could emerge from the crisis. Energy security is impacted by the war and driving an uncertain path to net zero.

The primacy of energy security and an uncertain path to net zero

European reliance on Russian oil and gas has proven to be a major strategic vulnerability. Europe depends on Russia for over one-third of its gas supplies and about one-third of these supplies transit through Ukrainian pipelines. The near-term cost is reflected in elevated energy prices and urgent demand for non-Russian energy sources. Germany has paused the approval of the NordStream 2 gas pipeline that would bring Russian gas directly to Germany. National energy security and reducing reliance on sourcing energy from non-allied states will become a top priority for governments.

This development will have mixed effects on global commitments to reaching net-zero emissions by 2050. The reduced reliance on Russian oil and gas could spur faster development of renewable-energy sources. Adoption of renewables will also elevate the importance of natural gas as part of the energy mix given challenges in storage and reliability of renewable sources. This may revive debates on domestic shale gas extraction, the buildout of liquefied natural gas infrastructure, and a renewed interest in nuclear despite the unpopularity in some countries. A near-term and urgent need for replacement energy sources is likely to see spikes in coal consumption. Elevated oil prices may incentivise increased extraction of hydrocarbons in the near term, such as US shale gas.

For financial institutions, this creates a complex path for delivering on net-zero commitments. In the near term transition pathways may be impacted. In the medium term we could see an acceleration in demand for investment in renewables to achieve energy security. Equally, Western governments will require more investment in liquefied natural gas infrastructure and gas storage to provide greater energy security. Europe will require financing at scale to support this transition, especially if required on an accelerated time frame.

Source: Oliver Wyman, *War in Ukraine, 10 Watchpoints for Financial Services*, 4 March 2022



Nedbank's climate change resolutions

As part of our journey, we tabled these two resolutions at our 22 May 2020 AGM:

Resolution 6.1: To adopt and publicly disclose an energy policy.

Our response to Resolution 6.1 in 2021:

- We approved and published an **Energy Policy** consisting of financing of renewable-energy activities (such as support of the South African Renewable-Energy Independent Power Producer Procurement Programme and financing of embedded-energy projects) as well as our approach to reducing our financing of thermal-coal, upstream-oil, upstream-gas and fossil-fuelled power generation.
- Our glidepaths will consider our trajectory with regard to fossil fuels and our commitment to exiting fossil fuels by 2045, in line with science-based targets. The development of sectoral glidepaths will inform the timelines or rate of exit from the coal, oil and gas sectors in line with the changing context.

Further to the above, the following are done to respond to Resolution 6.1. Refer to the diagram on the right-hand side.

Resolution 6.2: To report on the company's approach to measuring, disclosing, and assessing its exposure to climate-related risks.

Our response to Resolution 6.2 in 2021:

- We continued with the publication of our annual TCFD Report. We have volunteered to, over time, align appropriately with global best practices, which include the four pillars and 11 recommendations of the TCFD.
- We disclosed our oil, gas, thermal-coal and renewable-energy exposures in the Metrics and Targets section of this report.
- We continued our climate journey, which started in 1990. In the timeline, on the following page, we illustrate how our journey is evolving, including our high-level plans going forward.

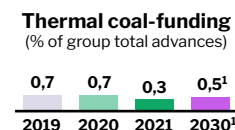
Nedbank supports the transformation of the energy system

We will continue to play a pivotal role in aligning our business activities and actions with the commitments made by South Africa under the 2015 Paris Agreement. Specific focus will be given to achieving a net-zero carbon economy and ensuring energy security while participating in responsible activities.

Thermal coal (Including mining, trading and infrastructure)
No financing of thermal coal mines outside of South Africa.

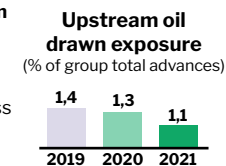
No project financing for new thermal-coal mines, regardless of jurisdiction, from **1 January 2025**.

Restricting total financing for coal mining companies, thermal-coal-related infrastructure, and thermal-coal-related trade to less than **1% of the group's total advances**, reducing it to **0,5% by 2030**.



Upstream oil

No direct financing of new oil exploration projects, regardless of jurisdiction. No new finance for oil production, regardless of jurisdiction, from **1 January 2035**.



Strategic transition from fossil fuels

Natural gas

We will continue to finance natural gas production where it will play an essential **role in facilitating the transition** to a zero-carbon energy system by 2050.

We undertake **not to directly finance new gas exploration projects**, regardless of jurisdiction.



R50bn renewable finance*

We will continue to **scale up our historical commitment** towards the fast-growing renewable-energy sector.



Sustainable Finance Solutions division

The Sustainable Finance Solutions division is responsible for structuring and arranging sustainable finance-focused solutions for clients and the bank that also aim to address environmental challenges. During 2021, the team assisted with Nedbank's launch of the **green additional tier 1 (AT1) instrument**, the **Green Housing Bond** and the **Green Residential Development Bond**. The team also supports the creation and packaging of innovative **sustainability-linked and use-of-proceeds lending and fundraising instruments**, which would serve to orientate capital flows towards transformational objectives. During 2021, the division engaged in lending **solutions with clients** that aim to promote environmentally friendly objectives across the resources, property finance and logistics sectors.



Embedded generation financing

We will further accelerate the transition and accordingly we aim to achieve **R2bn in financing by 2022**.



R28,7bn renewable-energy deals (drawn exposure) as part of the REIPPPP.



Added >3 500 MW to the South African power grid.

* The R50bn is a risk limit specifically for the REIPPPP, subject to ongoing board review. We anticipate that this limit will be reconsidered at the appropriate time as the programme continues with its success.

¹ This target was set in 2019 and will be reviewed at regular intervals to ensure ongoing improvements and progress.

Our journey continues

Responding to Resolution 6.2 — our journey continues to evolve:

Nedbank aims to be at the forefront of managing climate change risks and financing innovative solutions in ways that are sensitive and flexible to the specific contexts and markets in which it operates, guided by the overarching ambition of achieving net zero by 2050. All nations within which Nedbank conducts business are signatories to the Paris Agreement, which is predicated on progressively ambitious action in the form of voluntary NDCs.

1990

- Inception of the WWF Nedbank Green Trust.

2010

- Achieved carbon-neutral status for Nedbank own operations.

2020

- First SA company to table climate-related resolutions proactively – passed by its shareholders (100% votes) at the 53rd AGM, held on 22 April 2020.

2021

- First **Group Climate Resilience Committee (GCRC)** (a board subcommittee) meeting held in March 2021.
- **Response to the two climate-related resolutions** (approved in 2020), with the first stand-alone TCFD Report published on 22 April 2021.
- Published our **Energy Policy**.
- Recognised as the Best Bank for Sustainable Finance in Africa by the Euromoney Awards for Excellence in July 2021.
- Nedbank overall winner for Best Sustainability Reporting, Best climate-related Reporting and Best in the Financials (Banking) category at the 2021 ESG Reporting Awards.
- Nedbank Group awarded Best Bank for Sustainable Development in SA at the 2021 Global Banking and Finance Awards.
- Nedbank Corporate and Investment Banking (CIB) won Investment Bank of the Year at the Environmental Finance Impact Awards 2021, following three significant deals across housing, renewable energy and UN SDGs in 2020.
- Nedbank CIB implemented a R1bn sustainability-linked revolving credit facility for Imperial Logistics.

- The International Financial Risk Institute (IFRI) Climate Risk benchmarking coordinated by McKinsey & Company in November 2021 is aimed at helping participating banks to identify emerging standards among their respective peer set. The survey covered 35 banks, including 17 global systemically important banks (G-SIBs), covering US\$42 trillion in total assets collectively. Nedbank was the only bank in Africa participating in the survey. Nedbank's benchmarking results were found to be best in class and in line with peers who participated in the international survey.

2022 and beyond

- Assist our **clients and facilitate a transition to a greener economy**.
- Continue to participate in **REIPPPP financing rounds**.
- Further our embedded-generation financing to accelerate the transition and accordingly aim to achieve R2bn of financing by 2022.
- Continue, as we have been doing since 2020 to report on actual exposure to monitor progress on full withdrawal, over time, from fossil-fuel financing in line with the goal of realising a net-zero **carbon energy system by 2050**.

2025

- No provision of project financing for new thermal-coal mines, regardless of jurisdiction.

2030

- Reduce thermal-coal funding to 0,5% of group total advances.

2035

- Not advance any new finance for **oil production**, regardless of jurisdiction.

2045

- Aim to have zero exposure to all fossil-fuel-related activities.

2050 and beyond

- Have 100% of our lending and investment activity supporting a net-zero carbon economy.



Refer to the conclusion of this report for a detailed layout of Nedbank's climate journey to date, focusing on the group's journey in assessing our lending activities, investment practices, and own operations to climate-related risks and opportunities over time as standards, guidelines, and principles on climate risk mature, including appropriate alignment with global best practices, including, as represented by the TCFD.

The various sections of this report set out how Nedbank has responded to the recommendations of the TCFD, with a focus on the developments at Nedbank throughout this past year. For further details on Nedbank's approach to climate risk in previous years, refer to Nedbank's 2020 TCFD Report.

For a full summary of how Nedbank responds to the four pillars and 11 recommendations of the TCFD, refer to Annexure A of this report. The next section of this report, 'Governance', describes Nedbank's governance around climate-related risks and opportunities. Here we go into detail around the board's oversight of climate-related risks and opportunities as well as management's role in assessing and managing climate-related risks and opportunities.

‘Climate change poses one of the greatest threats to humankind. Nedbank’s climate resilience journey is rooted in its purpose to use its financial expertise to do good in combating climate change and its impacts. The Group Climate Resilience Committee has in the past year taken great strides in ensuring that climate-related risks are addressed and that Nedbank’s goal of supporting a net-zero economy by 2050 is well within reach.’

Brian Dames, Chair GCRC

Governance

Board oversight of climate-related risks and opportunities

16

Management’s role in assessing and managing climate-related risks and opportunities

18



Board and management focus on climate-related risks and opportunities

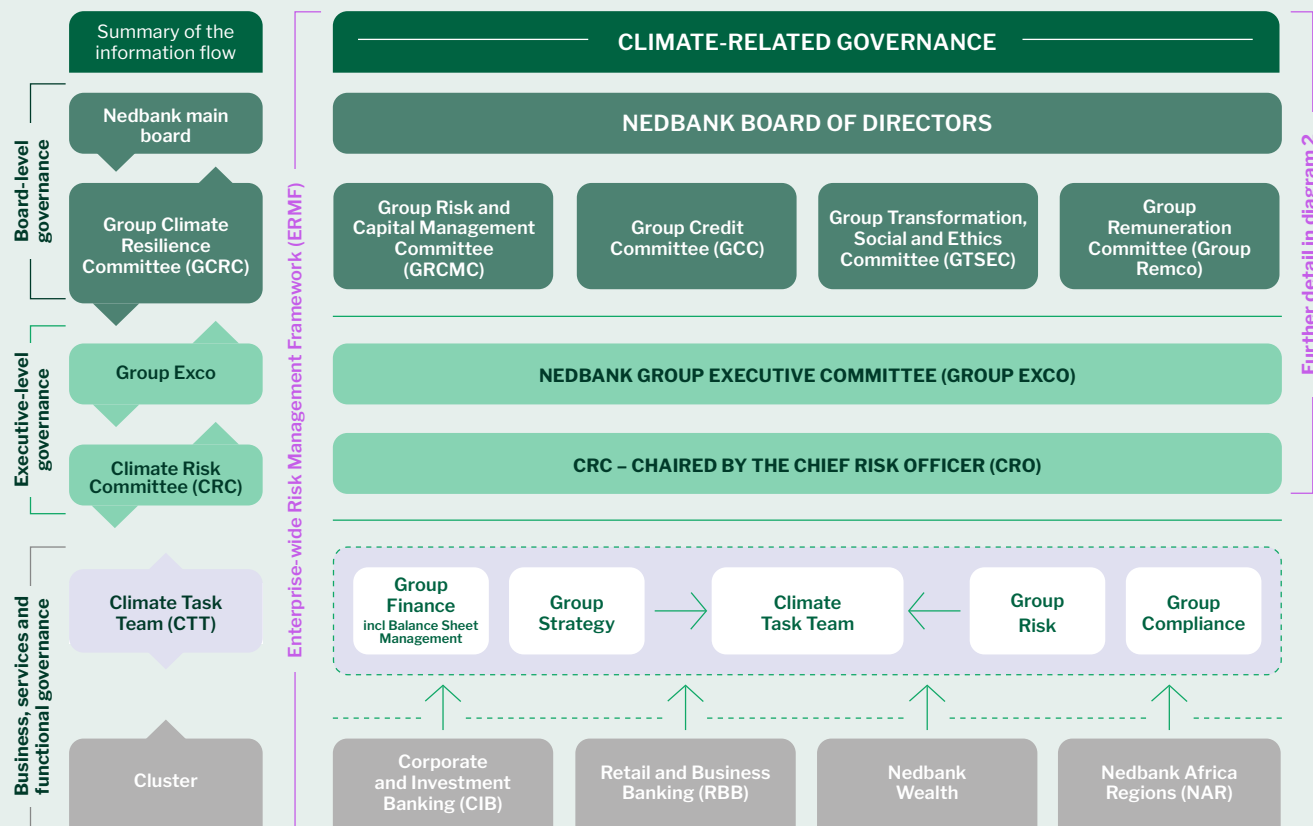


The sustainability of Nedbank's operations is ensured through sound corporate governance practices. We follow our Enterprise Risk Management Framework (ERMF), which aligns strategy, policies, charters, people, processes, technology, and knowledge to identify, evaluate, measure, monitor, manage and report on the opportunities, threats, and uncertainties we may face in our ongoing efforts to create shareholder value. The ERMF integrates risk, finance and balance sheet management across the group's entire risk universe, including business units and operating divisions, geographical locations, and legal entities. Climate-related risks are being integrated as subcomponents or risk types of the ERMF.

The Nedbank Board sets the direction for a range of material considerations, including all lending, investing, asset management and matters pertaining to Nedbank's own operations. In respect of climate-related matters, the board is supported by a board subcommittee, a senior management Group Executive Committee (Exco) subcommittee and operational teams to execute and evolve Nedbank's climate journey. The Group Climate Resilience Committee (GCRC), Climate Risk Committee (CRC) and the Climate Task Team (CTT) respectively are cross-disciplinary specialised committees within Nedbank that specifically address climate-related matters. These committees draw on expertise across the enterprise to enable Nedbank to respond to climate-related risks and opportunities in a balanced and structured way. This section builds on the description of governance within the 2020 TCFD Report, in which a detailed overview of the governance structure is provided.

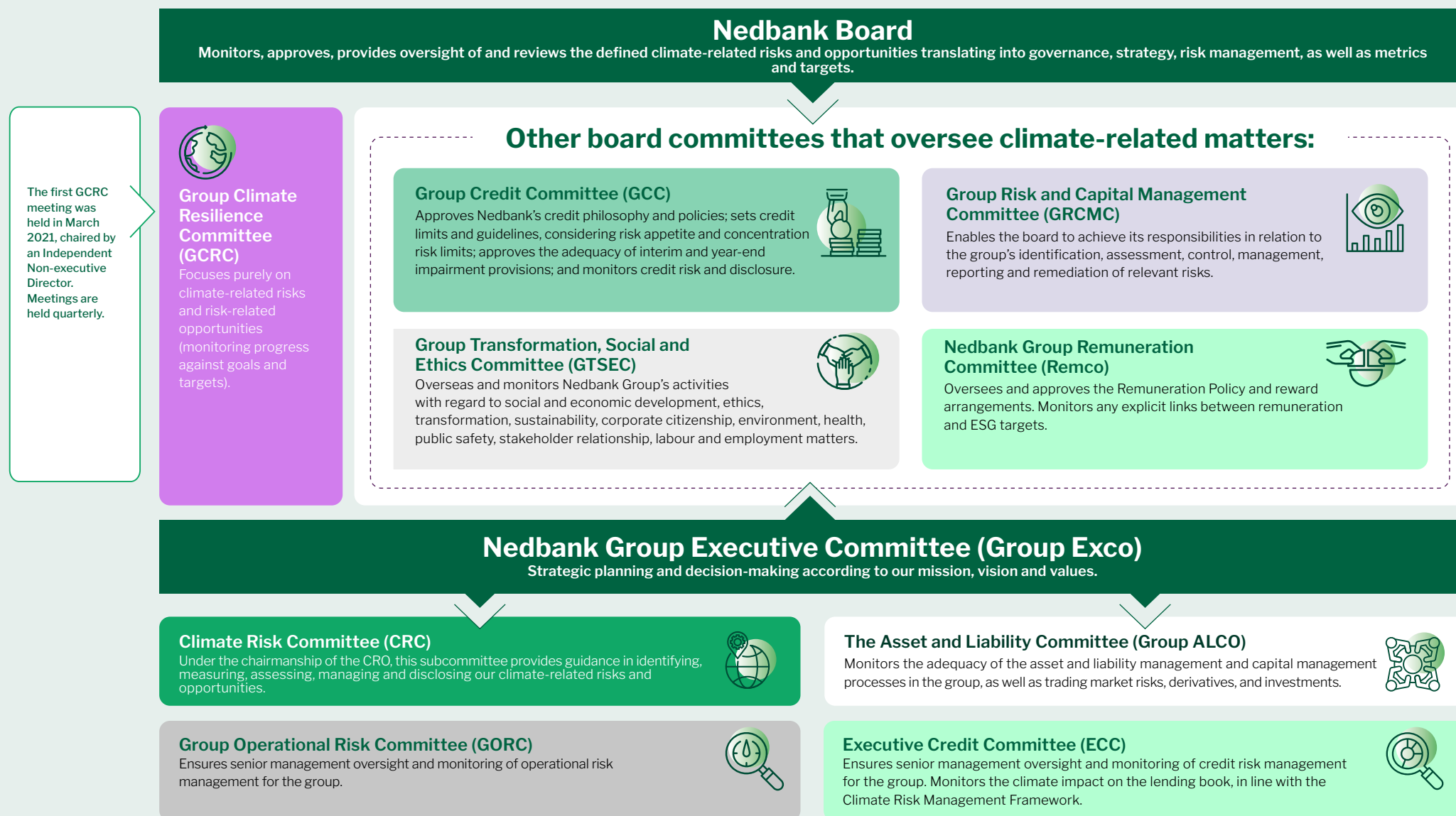
The diagram below illustrates the top-down and bottom-up information flow of climate-related activities. Business clusters and operating divisions, in collaboration with the CTT, deliberates and recommends actions to the CRC. The CRC is a subcommittee of the Group Exco. The CRC recommends its approvals, discussions and progress reports to the Group Exco and the GCRC. Reporting to the governance committees occurs in line with the approved frequencies. Both the GCRC and the CRC meet quarterly and additional ad hoc meetings are scheduled as and when required. The CTT meets at least once every month. Diagram 2 (on the next page) provides further details on the functions and activities of the committees as discussed in diagram 1 below.

Information flow from the cluster (diagram 1)



Governance (continued)

Board and Exco committees (diagram 2)



Management's role in assessing and managing climate-related risks and opportunities

Board oversight

The board's role is to monitor, approve, provide oversight of and review the defined climate-related risks and opportunities translating into governance, strategy, risk management, as well as metrics and targets to ensure we remain relevant, enabling our operations to be aligned with global best practices.

The board recognises the implications of climate-related matters on Nedbank. This includes moving towards a net-zero carbon economy by 2050. Climate change, as a risk amplifier, has been integrated into Nedbank's risk universe and materialises through 17 distinct risk types. The board assumes responsibility for the identification, assessment, and response to these risks. A detailed analysis of carbon budgets corresponding to the Paris Agreement temperature thresholds, with a keen focus on understanding the implications for energy transformation, was completed and informed the development of the Energy Policy. In 2021, the board provided oversight of the development of the Energy Policy and signed it off. The Energy Policy, which evolved from the Thermal Coal Policy, has been applied across the enterprise. Ongoing management of the Energy Policy has been delegated to the GCRC.

The board is responsible for monitoring and overseeing progress against goals and targets for addressing climate-related matters. Metrics and targets used to assess climate-related risks and opportunities are in line with Nedbank's approach to strategy and risk management. For example, the board uses the following metrics for assessing progress in addressing climate-related risks and opportunities:

- Decrease thermal-coal-related infrastructure and thermal-coal-related trade to 0,5% of group total advances by 2030.
- Disclose energy-lending-portfolio metrics, including fossil-fuel-related activities (thermal coal, upstream gas and upstream oil) and renewable- and embedded-energy solutions.

Climate-related matters were explicitly discussed at ten board meetings during 2021. Discussions included the following:

- Climate Change 101 and 102 – a primer for understanding the implications of climate change at board level.
- Understanding the implications of the Paris Agreement.
- At all board meetings, the Chairperson of the GCRC provides feedback from the GCRC.
- Nedbank's climate journey and its integration with strategic value levers.

Climate governance across the enterprise

As a stand-alone committee of the board, the GCRC focuses purely on climate-related risks and opportunities. The GCRC mandate includes functions to adopt additional measures considering changing business, regulatory, strategic, risk and other conditions. As climate-related risks and opportunities integrate various risk types, oversight of various risk types remains incorporated across the various board committees to ensure effective and efficient governance. Other board committees (eg the Group Credit Committee) are required to oversee climate-related matters, given that climate change impacts aspects across the mandates of various board subcommittees.

An independent board and leadership advisory services provider undertook a full review of the Nedbank Board, which included the GCRC. The assessment results for the GCRC are provided below.

The newly established (2021) GCRC has had an excellent start to its work. The GCRC:

- is highly effective in fulfilling and delivering on its responsibilities;
- meetings are facilitated to ensue robust, open sharing of ideas, and rigorous decision-making;
- makes clear recommendations with clear rationale to the main board;
- is well led and a valuable thought partner in shaping the future and transforming Nedbank Group; and
- has the required mix and depth of capacity, skills and experience to add value in respect of emerging strategic issues.

Key GCRC milestones in 2021

- Engaged proactively with and gave feedback to climate groups regarding 2021 TCFD reporting.
- Provided a steer to prioritise and focus on climate-related strategic opportunities.
- Approved the establishment of the carbon accounting project.
- Approved the development of the sectoral glidepaths project, in support of the Nedbank Energy Policy.
- Assessed human resource capacity on how business and group functions would support the execution and operationalisation of the CRMF.



Looking forward to 2022

- Provide oversight to evolve the climate risk appetite setting.
- Monitor the identification and management of physical and transition risks that could result in financial implications for the group.
- Provide guidance to incorporate the climate risk data universe.
- Make recommendations on climate-related risks and opportunities and the integration into other risk types and related matters.
- Ensure Nedbank aligns with standard science-based glidepaths.



At a Group Exco level, the CRC subcommittee recommends matters for approval, noting and updating to Group Exco and the GCRC. The role of the CTT is to identify, measure, monitor, manage and report on our climate-related risks and opportunities. This will include the regular reviews performed by business clusters in assessing the qualitative and quantitative impact of climate change and how climate-related risks translate into the strategy and Nedbank's income statement and balance sheet. The CTT coordinates collaboration across the enterprise for execution on all climate-related deliverables.

Working groups are subcommittees of the CTT consisting of members of the CTT and other subject matter experts invited to execute on specific deliverables aligning to the focus area of the working group.

Governance (continued)

Climate change experience of GCRC boardmembers

Members of the board are identified through a rigorous process to continue adding cognitive diversity to the collective board experience. Four GCRC boardmembers have specific climate-related experience.



Brian Dames:

Independent Non-executive Director, and Chairperson of the GCRC.
BSc (Hons), MBA

Expertise in mining, energy, resources and infrastructure. Experience in climate change, large corporates, industrial affairs, human resources, marketing, business strategy and strategic planning, information technology and cyberresilience, corporate governance and stakeholder management, and doing business in emerging economies.

Brian joined the board as an Independent Non-executive Director on 30 June 2014. Brian is Chief Executive of African Rainbow Energy and Power and previously served as the Chief Executive of Eskom Holdings Limited. He has extensive experience with global (and specifically African and South African) energy and resource issues. Brian serves as a member of the World Economic Forum's Global Council on Energy Transition, as a trustee of the WWF Trust SA, and as a Non-executive Director of the Industrial Development Corporation of South Africa Limited.



Linda Makalima:

Independent Non-executive Director, and member of the GCRC.
BCom (Hons), HDE, MPhil

Expertise in investment banking, other financial services, mining, energy, resources and infrastructure, human resources, marketing, business strategy and strategic planning. Experience in large corporates, innovation and digital.

Linda, the founder of Lima Business Solutions Proprietary Limited, was previously a Director and the Head of Investment Banking Coverage (SA) at Standard Bank, where she was responsible for business development and origination across a portfolio of sectors, including oil and gas, power, infrastructure and renewables, mining and telecommunications. Before that she was Managing Director of Diners Club SA. Linda left the corporate world to become a career and business coach, providing professionals and entrepreneurs with skills, insights and tools to enrich their careers and businesses. She is also a member of the Board of Governors for Pathcare.



Mpho Makwana:

Chairperson of the Nedbank board and member of the GCRC.
BAdmin (Hons), Postgraduate Diploma (Retail Management) (Stirling University, UK)

Expertise in human resources, marketing, business strategy and strategic planning. Experience in climate change, mining, energy, resources and infrastructure, retail and investment banking, large corporates, governance and stakeholder management.

Mpho joined the board as an Independent Non-executive Director on 17 November 2011. He previously served as Lead Independent Director and Acting Chairperson and was appointed Chairperson of the board on 2 December 2021. He is the immediate former Chairperson of the Invest in Africa Mining Indaba and a former Chairperson of Eskom Holdings Limited, where he led the team that kept the lights on during the 2010 FIFA World Cup. He is Chairperson of ArcelorMittal SA Limited, the Limpopo Economic Development Agency and Safcol SOC Limited. He serves as Lead Independent Director on the board of Invicta Holdings Limited and as Independent Non-executive Director on the boards of BTE Renewables (Pty) Limited and Platinum Group Metals (PLG:NYSE, PTM:TSX). Mpho also serves as trustee of various non-profit initiatives, including the FLG Modise Pentecost Foundation and the Nelson Mandela Children's Fund.



Tshilidzi Marwala:

Independent Non-executive Director and member of the GCRC.
BSc (Mechanical Engineering), MSc (Engineering), PhD (Engineering; University of Cambridge, UK) AMP (Columbia)

Expertise in innovation and digital, information technology and cyberresilience. Experience in corporate governance and stakeholder management.

Tshilidzi is an accomplished scholar with multidisciplinary research interests that include the theory and application of artificial intelligence to engineering, computer science, finance, social science and medicine. He has an extensive track record in human capacity development and has published 23 books on artificial intelligence. Tshilidzi is the Vice-Chancellor and Principal of the University of Johannesburg. Before that he was the Deputy Vice-Chancellor for Research and Internationalisation and Executive Dean of Engineering and the Built Environment, both at the University of Johannesburg. He is the Chairperson of the Africa Health Research Institute, a member of the Namibian 4IR Task Team and trustee of the Nelson Mandela Foundation.

Executive remuneration

The board strives to ensure that remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders. Remuneration of executives and employees is linked to sustainable value creation objectives in line with the group's strategy, and is based on clear performance targets that have adequate stretch and market benchmarking, while being mindful of the wealth gap in SA.

Nedbank recognises the increasing importance of ESG factors in ensuring that we create value for our stakeholders. The Nedbank Group Remco oversees and approves the Remuneration Policy and reward arrangements. Nedbank publishes the annual

comprehensive Remuneration Report as part of the overall governance requirements, which contains the Remuneration Policy and the Implementation Report, which form part of the annual Nedbank Integrated Report. Included in the Remuneration Report is Nedbank's public disclosures in relation to its remuneration practices, policies, procedures and shareholder engagements.

Climate is explicitly (operating within risk appetite, including climate risk appetite targets and limits) and implicitly (climate is part of ESG considerations) incorporated in executive managers' remuneration and goal commitment contracts. Environmental and social commitments have been included for the first time in the group's 2022 long-term incentive scheme, including delivery on its Energy Policy and sustainable-development financing.

Governance (continued)

Coordinated assurance

Coordinated (combined) assurance integrates and aligns risk, audit and compliance functions related to assurance activities. This enables an effective internal control environment across the group, with assurance focused on critical risk exposures supporting the integrity of information used in internal decision-making (to governance forums) and reporting to external stakeholders. In line with the principles of coordinated assurance, there is a cross-disciplinary approach to monitoring the efficiency and effectiveness of policies and procedures implemented to manage climate-related risks across the 3LoD. Various metrics of the Energy Policy are subject to validation by Group Credit Risk (second-line-of-defence function), and verification work is conducted by Group Internal Audit (a third-line-of-defence function). For the 2021 review of the TCFD Report a coordinated approach including external auditors (Deloitte), Group Internal Audit (GIA), business clusters, the Group Strategy Sustainability division and Group Risk functions (eg the Group Credit Risk Model Risk Management (MRM) and Group Strategic Risk teams) was followed. Examples of coordinated assurance are as follows:

- GIA reviewed the disclosures included in our TCFD Report relating to the four pillars and 11 recommendations of the TCFD by performing a limited assurance engagement.
- MRM reperformed calculations of selected ratios for accuracy of the 'Metrics and Targets' section.
- Deloitte provided limited assurance on selected key performance metrics disclosed in the 2021 TCFD Report and the Nedbank Group integrated report.

Knowledge and skills

As a purpose-led business we ensure that our skills and knowledge profile support our climate change strategy. We contribute to our employee People Promise by sharing our climate-related goals and achievements through employee People Promise messaging and talent acquisition practice. This helps Nedbank to attract climate-aware talent and expertise in key positions across the organisation. Nedbank continues to structure teams within the organisation (eg Sustainable Finance Solutions Division and Embedded Renewable Energy Generation Unit) to support its climate strategy. This is supported through extensive training and awareness initiatives.

Training and awareness

Board training

Nedbank is committed to providing bespoke board training programmes, addressing topics such as climate-related matters. There is continuous upskilling of boardmembers through presentations, e-learning modules and awareness activities. During 2021, the board received comprehensive updates and training on various topics, including the following:

- Climate change implications for SA and Nedbank
- Unpacking carbon budgets aligned to the Paris Agreement
- Carbon accounting
- Various SDG updates

Nedbank employee training and awareness

Fit-for-purpose training will continue across the enterprise to ensure climate change is integrated into the various functions. This includes e-learning for all Nedbank employees.

Nedbank prioritises training of employees in terms of climate change and climate risks and opportunities.

During 2021

1 540

employees attended lectures on climate through the Nedbank Risk Business School

Employees

2 195

employees completed the Climate 101 e-learning module

Nedbank employees were kept up to date with the latest climate-change-related issues and updates, as well as the latest developments within Nedbank related to climate through a periodic newsletter called 'The Climate'.

A broad range of topics has been discussed in these newsletters, including the following:

- Responsible investing
- COP26 and the reflections for the financial sector
- Climate risk
- Impacts and implications of climate change
- Current climate affairs



‘The banks of the world have a central role to play in driving sustainable development by directing capital to where it is needed most. Delivering on this responsibility and doing so in a way that achieves optimal social, environmental and economic returns requires a shift from narrow self-interest and old operating and funding models to deeply embedded systemic thinking that unlocks new sustainable-development finance possibilities that meet the needs of society effectively. Such systemic thinking is possible only with a clearly defined strategy and purpose, which in Nedbank’s case, is to use our financial expertise to do good for individuals, families, businesses, and society.’

Mike Brown, Chief Executive

Strategy

Impacts of climate-related risks and opportunities on Nedbank’s businesses, strategy, and financial planning	23
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Climate-related risks and opportunities we identified over the short, medium, and long term	31

Strategy

Understanding our context

Climate change is one of the defining systemic issues of the 21st century, alongside poverty and inequality. It requires urgent, unprecedented action and cooperation from all stakeholders. Banks play a central role in driving sustainable socioeconomic development for the benefit of all stakeholders, creating the future by providing capital for investment in the real economy. Banks' financing choices should enable rather than undermine the necessary transition to a net-zero economy, while also building climate resilience through the funding of adaptation.

The United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement establish the basis for collective action at the international level: avoiding dangerous anthropogenic interference with the climate system is defined as 'holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1,5°C'. According to the best available science, this ultimate objective sets up a finite global carbon budget for CO₂ emissions from human activity. For a given temperature threshold and a given probability of success, the carbon budget describes

the maximum operating space within which global, national and organisational climate strategies must mediate socioeconomic development objectives.

Failing to meet the Paris Agreement objectives will commit the African continent to a much more challenging and less prosperous future, since Africa is both highly exposed to the physical impacts of climate change and poorly equipped to withstand those impacts. All nations in which Nedbank operates had committed to addressing climate change as Paris Agreement signatories. The COP26 in Glasgow signalled the first review period of the NDCs.

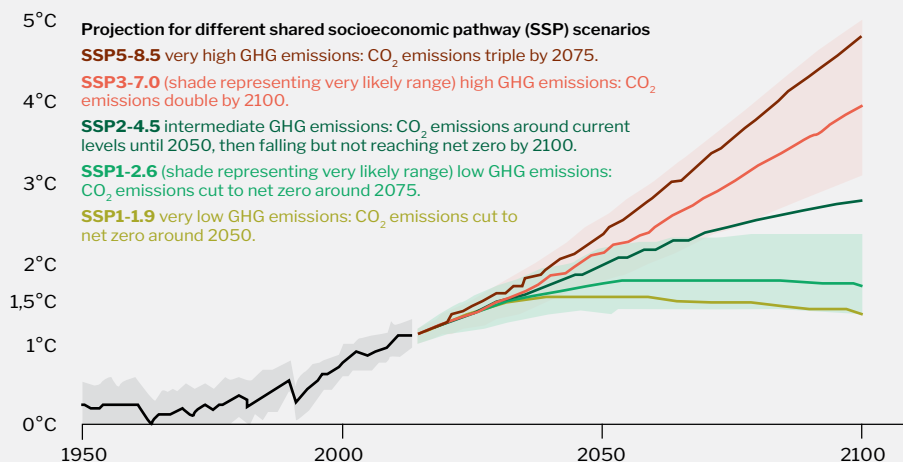
In February 2020, through its Low Emissions Development Strategy, the South African government joined numerous other major emitters in setting the ambition of a net-zero carbon economy by 2050.

In the run-up to COP26, SA updated its NDC to reflect stronger ambition and more stringent emissions reductions, following recommendations from the Presidential Commission on Climate Change. The Climate Action Tracker website subsequently upgraded SA's NDC from 'highly insufficient' to 'insufficient'.

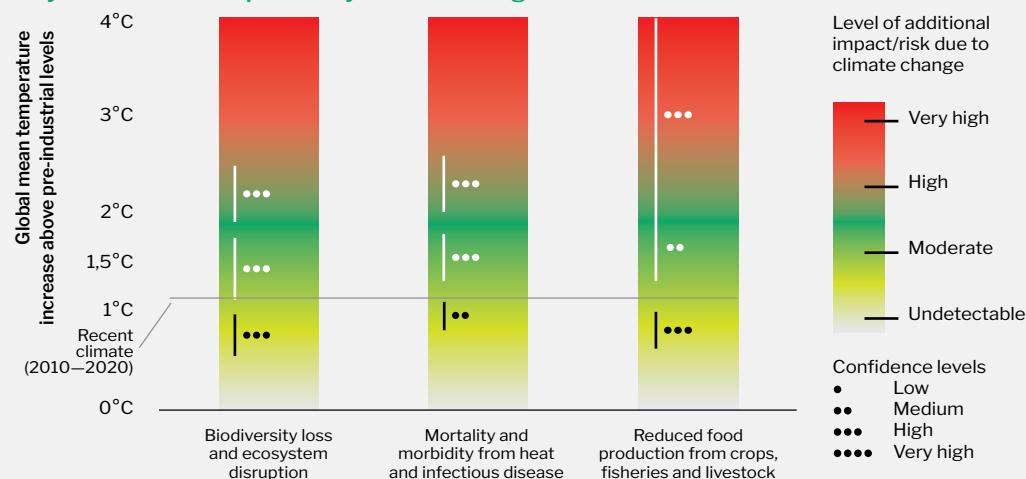
Although most of the NDCs are still deemed insufficient, in aggregate the recent updates signal a higher level of ambition compared to pre-COP26. Based on current policies and actions – assuming they are effective – the world is on track to warm by 2,7°C, with Africa facing a potential doubling of the global average. However, the full implementation of revised NDCs and net-zero targets is expected to reduce global warming to 2,1°C, with Africa then expecting warming of 4,2°C. The first graph below (on the bottom left-hand side of this page) shows various outcomes of warming projections based on pledges and current global policies. In the risk time horizon (2020 to 2050), it is clear that action is required to reduce carbon emissions. The world is currently off target to meet the target of 1,5°C.

The second graph (on the bottom right-hand side of this page) from the latest IPCC AR6 demonstrates the increasing risk for selected key risks in Africa due to climate change. All three risks (as cited in the graph) are assessed to have already transitioned to moderate risk by the recent level of global warming from 2010 to 2020.

Global warming projections



Key African risks impacted by climate change



Strategy (continued)

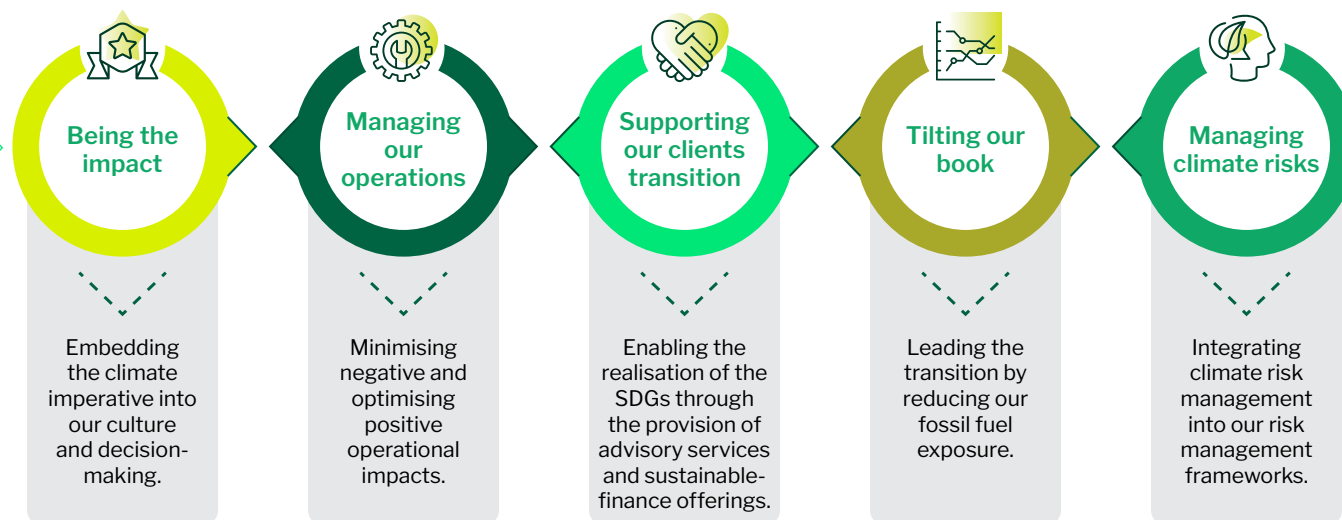


It is in the interests of all businesses – not least financial services companies that facilitate commercial and industrial activities through their funding decisions – to collaborate with government and other stakeholders to ensure these domestic and international objectives are met. Accordingly, Nedbank is working with various stakeholders to support the enablement of a just transition in line with its domestic obligations and the objectives of the Paris Agreement.

As a purpose-led organisation, Nedbank is acutely aware of its central role, alongside that of other banks, in driving sustainable socioeconomic development for the benefit of all stakeholders and creating the future by providing capital for investment in the economy. Nedbank's financing choices should serve to enable rather than undermine the necessary transition to a net-zero economy, while also building climate resilience through the funding of adaptation.

The Paris Agreement establishes several principles to guide delivery of the ultimate objective, including that actions should be guided by the best available science, allow for common but differentiated responsibilities, ensure a just transition, take into consideration national circumstances and capabilities, and recognise historic contributions. These principles require a flexibility of approach across the many jurisdictions in which Nedbank operates.

The above context informs Nedbank's climate strategy, which is further discussed throughout this section and is illustrated in the diagram alongside.



Being the impact

We welcome the increasing focus on ESG considerations by investors and other stakeholders. This has been at the heart of our focus for some time as we have matured our climate resilience responses. As a purpose-led business, we are committed to playing a leading role in addressing climate change in ways that are sensitive to the local socioeconomic context and climate vulnerability. Our purpose informs our strategic direction and ensures alignment in business decisions to create positive impact – a strategic focus area of the bank. Achieving this is also a fundamental consideration of our culture transformation journey, which underpins the change management required to deliver on our climate aspirations.

Refer to the 'Governance' section for further detail on the relevant governance structures at Nedbank that address climate risk, as well as the training and awareness that boardmembers and Nedbank employees received on climate-related topics.

Strategy (continued)



Managing our operations

Nedbank continually improves the management of energy and GHG emissions across its business by setting intensity reduction targets in line with its commitments and investing in renewable-energy generation for its own operations.

In Nedbank facilities we first minimise and then offset our carbon footprint. We are working towards further reducing and eventually eliminating scope 1 and scope 2 GHG emissions from our own operations. Further details on our own carbon footprint and how we manage our own energy generation can be found in the Metrics and Targets section.



Supporting our clients' transition

Nedbank aims to direct a growing proportion of its funding to help transform the economy at a rate that is commensurate with UN Framework Convention on Climate Change (UNFCCC) objectives. Since the African continent is extremely vulnerable to the negative impacts of climate change, our response is to include both mitigation and adaptation components. These include provision of modern energy services, clean water and sanitation, climate-resilient infrastructure and sustainable cities, while being conscious of both the positive and negative impacts of this activity.

Leveraging climate change opportunities

To read more about how Nedbank Group has made progress in support of the UN SDGs, refer to our 2021 Society Report at nedbankgroup.co.za.

The six SDGs that respond directly to addressing climate change are the following:



We have prioritised nine of the 17 SDGs where we believe we have the greatest ability to deliver meaningful impact through innovation in our banking products, lending and investment practices. These nine goals are championed by nine group executives who are mandated to ensure that the percentage of our lending and investment towards sustainable-development finance grows. Nedbank is aware that we, alongside our stakeholders, operate in a nested, interdependent system. This means that for our business to succeed, we need a thriving economy, a well-functioning society and a healthy environment. We also recognise that sustainability issues such as climate change, inequality, social justice and, most recently, pandemics are playing an increasingly material role in shaping this system. Our purpose guides our strategy, behaviours and actions towards the delivery of long-term systems value for us and our stakeholders. The following pages provide further details on how Nedbank is leveraging climate change opportunities as part of supporting the six climate-related SDGs.

Strategy (continued)



SDG 6: CLEAN WATER AND SANITATION

SDG Targets we focus on:



- By 2030, achieve universal and equitable access to safe and affordable drinking water for all (6.1*).
- By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations (6.2*).
- By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally (6.3*).
- By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity (6.4*).

Financing opportunities identified:



- Invest in water efficiency solutions in residential, commercial, and industrial facilities.
- Invest in ecological infrastructure, including restoration of wetlands and catchment areas.

Our contribution:



Through our CIB and RBB clusters, we offer financial solutions to the public sector as well as participants in the mining, commercial, industrial, and agricultural sectors. These solutions enable clients and society to access safe and affordable potable water and adequate sanitation, and to enhance water use efficiency through water recycling, treatment, harvesting and reuse.

During the 2021 financial year funding transactions to the value of R800m were completed. The majority of these transactions saw Nedbank funding utilised by a range of municipalities to optimise water and sanitation delivery to their citizens as well as to the agricultural sector, where recipients used the money to replace ageing and inefficient irrigation systems with improved technology.

There has also been a notable increase in interest in the funding solutions from commercial and industrial businesses that are becoming increasingly aware of the risks of water scarcity to their sustainability and the importance of water recycling, purifying and rainwater harvesting. Given the possibility that these loans can be repaid from the often significant savings on water utility bills, the offering minimises the impact on business cash flows.



SDG 7: AFFORDABLE AND CLEAN ENERGY

SDG Targets we focus on:



- By 2030, ensure universal access to affordable, reliable and modern energy services (7.1*).
- By 2030, increase substantially the share of renewable-energy in the global energy mix (7.2*).
- By 2030, double the global rate of improvement in energy efficiency (7.3*).
- By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing states and landlocked developing countries, in accordance with their respective programmes of support (7.b*).

Financing opportunities identified:



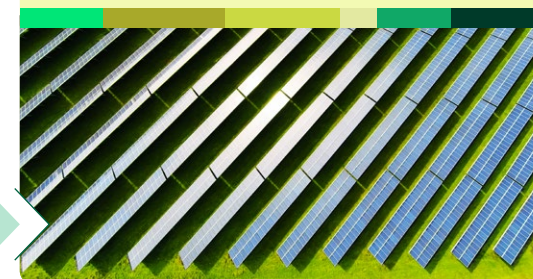
- Off-grid renewable-energy solutions for communities lacking grid access.
- Utility-scale renewable-energy and small-scale embedded generation (eg rooftop solar PV).
- Energy storage technologies.
- Energy-efficient technologies and processes in residential, commercial and industrial facilities.
- Grid upgrades, including smart grids and microgrids.

Our contribution:



Nedbank is a leading funder of renewable energy in South Africa. Through the REIPPPP we have arranged 42 renewable-energy transactions, underwriting a total of R35,6bn and exposures of R29bn to date. With a target of R2,0bn in embedded-energy financing by the end of 2022, this is a rapidly growing area of commitment for the bank. Deal flow in 2021 saw our Investment Banking division completing three material transactions totalling over R420m, and our Business Banking division 40 transactions totalling R191m, with a healthy pipeline of future deals in place.

Our embedded-energy business is also growing outside of SA, with clients increasingly looking for renewable-energy solutions. In 2021 we facilitated a range of investments across Namibia, Mozambique and Eswatini. In 2021 we also added a new product for affordable-housing clients and first-time homeowners. The solution enables them to invest in water- and energy-efficient technology for their homes. In addition to the reduced living costs due to cheaper utility bills and lower maintenance costs, the finance for the product is also offered at a reduced interest rate, subject to the risk profile of the transaction and the client.



* Specific UN SDG Targets we focus on.

Strategy (continued)



SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG Targets we focus on:



- Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all (9.1*).
- Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets (9.3*).
- By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities (9.4*).
- Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing states (9.a*).

Our contribution:



Nedbank contributes towards the achievement of SDG 9 through funding of infrastructure, including mass transit, road and rail corridors, renewable energy, water treatment plants and information and communication technologies, as well as affordable housing, schools and hospitals. In addition, Nedbank has developed a formal digital strategy to unlock resources and capacity to support and fund projects that have the potential to help eliminate Africa's digital divide by delivering equitable and inclusive digital access for all.

Examples of digital deals funded in 2021 include the following:

Rain Holdings – we participated in a R700m senior secured revolving credit facility valued at R2,5bn for Rain Holdings. The facility will be used to fund capital expenditure as Rain continues to roll out its 5G network footprint across SA.

Seacom Limited – we completed a US\$65m senior secured term loan facility to Seacom Limited, acting as the mandated lead arranger and sole funder. The facility will be used to fund capital expenditure as Seacom embarks on its business strategy to upgrade and expand its network footprint across the African continent.

Thabure TowerCo – we provided R181m in empowerment financing to Thabure TowerCo. The Independent Communications Authority of South Africa (ICASA) has licensed them to build, own and lease passive infrastructure, and to provide telecoms services in rural and peri-urban geographies.

Financing opportunities identified:



- Climate-resilient infrastructure (including regional and transborder).
- Interventions to increase resource use efficiency and encourage greater adoption of clean and environmentally sound technologies and processes.



SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

SDG Targets we focus on:



- By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums (11.1*).
- By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons (11.2*).
- By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management (11.6*).
- Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilising local materials (11.c*).

Our contribution:



Nedbank is focused on investing in green and sustainable buildings that improve the quality of life for occupants and reduce carbon emissions and other negative impacts on the environment. In assessing these transactions, we consider properties that are green-certified (includes EDGE-accredited and Green Star-rated buildings) and have sustainable features (including gas, solar PV, solar geysers, wind or hydro power, rain harvesting, and black- and grey-water systems).

We currently have R25bn of exposure linked to green-certified properties and those with sustainable features. However, this number should increase as we get more sophisticated in how we track these kinds of investments, particularly within properties that are already on our books. In 2021 we also financed 17 EDGE-certified residential developments (1 755 units) worth a total of R1,5bn and exposure of R520m.

Financing opportunities identified:



- Upgrade informal settlement areas with affordable green housing, including improved access to affordable basic services (energy, water, sanitation, transport and communications).
- Mass-transit infrastructure, electric vehicles, and improved non-motorised transport options.
- Green buildings and municipal waste collection, including reprocessing and recycling facilities.



* Specific UN SDG Targets we focus on.

Strategy (continued)



SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG Targets we focus on:



- By 2030, achieve the sustainable management and efficient use of natural resources (12.2*).
- By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses (12.3*).
- By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse (12.5*).

Financing opportunities identified:



- Technologies and processes to reduce material consumption per capita and per unit of GDP.
- Upgrades in the food supply chain, including storage facilities, cold-chain logistics, and local distribution centres to reduce post-harvest food losses.
- Technologies and interventions to prevent or reduce waste and increase recycling and reuse.

Our contribution:



Supporting the recycling sector:

We continue to support a range of SA's prominent recycling businesses. These businesses not only remove waste in the form of glass, paper, plastic and other non-biodegradable materials from the environment, but also create work for many families that collect and sell waste to recyclers. Recycling also creates alternative income streams for factories where waste materials may be sold to recycling entities rather than being dumped in landfills. In 2021, in addition to our suite of clients who are supported at a balance sheet level, new transactions of R55m were concluded and a number of other transactions are underway for completion in 2022. We also approved a R100m facility for the importation and installation of polyolefin (rigid plastics) recycling equipment.

Financing sustainable agriculture:

Nedbank offers an innovative sustainable agriculture funding solution aimed at mitigating the risks and challenges for farmers associated with rising temperatures and lower rainfall. The intention is to support farmers directly, or through a financing arrangement with their local cooperative, with sustainable farm interventions ranging from water storage maximisation solutions and soil health to cutting-edge irrigation equipment and shade netting to reduce evaporation. Sustainable agriculture highlights delivered through this funding in 2021 include the following:

- **Shade-netting finance**
This offering for the horticultural sector has been embraced by the citrus industry, which has about 1 400 growers with an area of 77 708 ha under production. In addition to the R50m facility used by the Humansdorp Cooperative during 2021, six deals totalling R64m paid out, with there being a strong pipeline for 2022. For this cooperative we also funded a R50m term loan for the installation of shade netting over the citrus orchards of farmers in the Humansdorp region. To date 3 867 ha of citrus have been covered with netting, resulting in a saving of 11,2 million cubic metres of water annually. To put this saving into context, a total of 375 000 medium-sized swimming pools can be filled with the water saved every year. In addition, the citrus yields graded for export have increased by 35 t/ha (from 42 t/ha to 77 t/ha, or 83%). At a realisable value of R16 387 per ton of export fruit, this translates to an increase in revenue of R575 000 per ha annually.



* Specific UN SDG Targets we focus on.

Strategy (continued)



SDG 15: LIFE ON LAND

SDG Targets we focus on:



- By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements (15.1*).
- By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species (15.8*).
- Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems (15.a*).

Financing opportunities identified:



- Sustainable forestry practices, including afforestation and reforestation.
- Removal of invasive alien species to restore functions of indigenous land and water-based ecosystems.

Our contribution:



The banking sector has a significant impact on biodiversity and natural capital through the financial support it provides to high-impact sectors such as forestry, mining, oil and gas, fisheries, water delivery and infrastructure, or sectors that are using genetic resources such as biotechnology, pharmaceuticals, agriculture or cosmetics. We can play an important role in protecting the natural capital sector by selecting our clients and the projects that we finance critically and by creating mechanisms to encourage best practice and sustainable practices.

Through our Social and Environmental Management System (SEMS) we encourage our clients to identify, measure and value the biodiversity dependencies and impacts of their operations to establish biodiversity action plans, disclose their risks and performance and have a monitoring system in place. In addition to working with our clients, we partner with key stakeholders such as the WWF.

One of the focus areas of the current R25m, five-year, conservation partnership between Nedbank and WWF is safeguarding critical water source areas, biodiversity hotspots and rural livelihoods, with a strong focus on the Eastern Cape. By driving collective action, we are helping to maintain and restore the ecological integrity of these vital catchments. This ensures that they continue to provide water, food and livelihoods; generate jobs; and develop local small, medium and microenterprises (SMMEs); as well as build climate resilience for local and downstream communities who rely on them.

The 2021 year was the second year of the partnership and great strides were made in co-funding key areas of WWF's conservation strategy within the regional node of the Eastern Cape.



Tilting our book

Nedbank is committed to transitioning its lending book away from fossil fuels. We were one of the first banks to commit to stopping the financing of coal-fired power plants. We reinforced this commitment with our Thermal Coal Policy in 2019, which committed us to reducing our financing of coal. In 2020, Nedbank conducted an in-depth analysis of global carbon budgets corresponding to the Paris Agreement temperature thresholds, focusing on implications for the energy system transformation. This analysis revealed consequences for the future of fossil fuels and related financing decisions. We recognised that staying 'well below 2°C' required immediate, rapid and profound changes to the global energy system: it needs to be materially decarbonised by mid-century to allow additional space and time for sectors with limited abatement options. Without the large-scale deployment of negative-emissions technologies or emissions removals from enhanced sinks – currently facing major technical and non-technical hurdles – this would necessitate the end of fossil fuel combustion by 2050.

Accordingly, in 2021 we adopted our Energy Policy, which serves to guide the transition away from fossil fuels, while accelerating efforts to finance non-fossil energy solutions needed to support socioeconomic development and build resilience to climate change, including renewable energy, energy efficiency, energy storage, electrification of high-emitting sectors (eg surface transport and heat) and other emerging technologies such as hydrogen if, when and where appropriate. The Energy Policy aligns and gives expression to the Nedbank Climate Change Position Statement, which outlines the commitment of the bank, over time, to aligning its business strategy, policies, mandates and incentives with the Paris Agreement. This Energy Policy integrates and supersedes the financing policy on activities related to thermal coal. We will develop relevant sector policies over the next few years to inform how we will help clients across all

sectors – and society more broadly – to achieve the ambition of a net-zero economy.

Through the ongoing development and implementation of such policies, we will play a leading role in addressing climate change in ways that are sensitive to the local context, including climate vulnerability, development imperatives and structural economic challenges. The climate and sustainable-development context of much of the African continent, particularly sub-Saharan Africa, is qualitatively different to that of SA. Our approach to addressing climate change allows for these differences, in accordance with the principle of common but differentiated responsibilities. Unlocking resources that have been neglected is paramount in delivering access to clean, affordable, safe and efficient energy services across the continent. The opportunity exists for sub-Saharan Africa to sidestep investment in high-carbon infrastructure that may lead to stranded assets and, instead, leapfrog to 21st century energy technologies that deliver multiple co-benefits.

At Nedbank, climate-related matters serve as an important input to its financial planning process. We recognise that climate-related matters impact our ability to create and maintain value over time. Financial planning is a key tool that we use to understand our impacts on operating costs, revenues, capital expenditures, capital allocation, acquisitions, divestments and access to capital. We strategically identify areas where climate-related matters can be linked to our financial planning approaches. One approach is through monthly CFO forums, which bring together CFOs from all clusters in the bank. Discussions at the CFO forum include potential financial and/or product system changes required, planning and providing guidance for the inclusion of climate-related specific items in the 2023 to 2025 budget cycle and annual business plans, and prioritising specific sectors to focus on the rolling out of the initiatives within business clusters for reporting into Group Finance at Nedbank.

Further details on how Nedbank manages climate-related risks are set out in the Risk Management section of this report.

* Specific UN SDG Targets we focus on.

Strategy (continued)

Scenario analysis

Climate-related scenario analysis is used as one of the tools to assess the potential business implications of climate change, and to inform how we need to transform our current lending book strategically. Scenario analysis can assist us to frame the strategic impact better, assess the range of potential management actions that may be needed, engage more productively in strategic conversations, and identify indicators to monitor the external environment.

The climate scenario analyses conducted by Nedbank include assessments of both transition risk and physical risk. Both assessments are highlighted in this section of the report.

Transition risk

A net-zero carbon transition translates into a new and uncertain landscape of risks and opportunities, which will require ongoing development by companies to identify, understand, and implement effective strategies to adapt to, benefit from, and contribute to a net-zero carbon economy.

The primary financial impact of transitioning away from GHG-intensive portfolios (eg, coal-fired power generation) is the loss of revenue from these portfolios. However, this negative impact can be offset or mitigated by focusing on capturing additional revenue sources from potential new business opportunities. Revenues are likely to be generated from new opportunities present in green assets, deposits, and capital-market products.

To this end, Nedbank makes use of the Paris Agreement Capital Transition Assessment (PACTA) model, developed by an international non-profit organisation [2° Investing Initiative (2DII)], which enabled Nedbank to assess its alignment of climate-sensitive sectors with the goals set out by the Paris Agreement.

The outcome of the analysis is twofold:

- To measure the exposure of Nedbank's corporate loan book to different high- and low-carbon technologies across several climate-sensitive sectors.
- To assess the alignment of the production plans of Nedbank's corporate clients with climate transition scenarios that are in line with the Paris Agreement.

The climate-sensitive sectors that were analysed are power generation, upstream fossil fuels and automotive manufacturing. In measuring the alignment of these sectors to the goals of the Paris Agreement, it enabled Nedbank to establish a point of view of the alignment of these components of its portfolio with the Paris Agreement.

The following scenarios developed by the International Energy Agency (IEA) were used by Nedbank for the analysis:

- **Current Policies Scenario:** This is a business-as-usual scenario. It explores what the future may look like, based on what is happening today and assuming no policy changes.
- **Stated Policies Scenario:** This scenario incorporates policies declared today. The goal with this scenario is to assess what the world may look like in the future, based on policies that have currently been announced.
- **Sustainable Development Scenario:** This scenario aims to meet stricter sustainable-development goals. This requires rapid widespread changes across all parts of the energy system. It is aligned with the goals set out in the Paris Agreement, with a 50% chance of limiting global temperature rise to below 2°C by the end of the century, as well as objectives related to universal energy access and cleaner air.



- **Net-zero Emissions by 2050 Scenario:** This scenario extends the Sustainable Development Scenario in order to target net-zero emissions. The scenario responds to the increasing number of countries and companies that have made commitments to reaching net-zero emissions earlier, combined with the aim of limiting the rise in global temperatures to 1.5°C by the end of the century (with a 50% probability).

The outcome of the transition scenario analysis




The outcome of the analysis respects the fact that each sector has its own transition pathway, or technology roadmap, for it to contribute to a low-carbon world. This approach enables Nedbank to create impact through steering these key sectors towards technologies that underpin a low-carbon future. The outcome comprised of two components.

Firstly, the target portfolio mix analysis focuses on the changes in the processes by which outputs are produced (eg shift from coal-fuelled power generation to renewable power generation), and on changes in the nature of the output itself (eg shift from combustion engines to electric vehicles).

Secondly, the analysis studies change in production volumes by Nedbank's clients: either as a result of transfer of production from one technology, or even sector, to another (eg scenarios' prescription for an electrification of the automotive sector), or as sheer expansion or contraction in a sector's size. The production function by which the borrowers' production volumes are projected to change (at a five-year horizon) are aggregated to generate the portfolio's volume proxy. Its trajectory is then compared to the trends set as targets in climate scenarios, as well as to the production function of the industry as a whole.

Strategy (continued)

An overview of the results, per sector, is provided in the table below.

Sector	Overview of the results
Power generation 	<ul style="list-style-type: none"> To support an energy transition, a significant decline in the use of fossil fuels is required while recognising the role of gas as a 'bridging' fuel for the gap between energy demand and renewables supply. While the proportion of Nedbank's gas exposures has been on the rise in recent years, Nedbank's current power generation portfolio remains tilted toward renewable energy and is in alignment with the Sustainable Development Scenario and Net-zero Scenario targets. It should be noted that most of the renewable-energy exposures are in the form of project-based finance, which will have to be replaced by projects of similar value to remain within the sustainable-development scenario and net-zero scenario targets. In terms of Nedbank's clients' production capacity, the forecast trends for renewable energy is higher as compared with those of the industry.
Upstream fossil fuels 	<ul style="list-style-type: none"> In support of decarbonisation pathways, gas is viewed as a transition technology within the IEA scenarios as it emits lower GHG emissions when compared to other more traditional sources of energy such as oil and coal. Nedbank will continue to finance natural gas production where it will play an essential role in facilitating the transition to a zero-carbon energy system by 2050. The forecasted production capacity of Nedbank's clients suggests a decline in upstream oil, which is in alignment with the sustainable-development scenario and net-zero scenario.
Automotive manufacturing 	<ul style="list-style-type: none"> To achieve the goals as set out by the Paris Agreement, the production of hybrid vehicles and electric vehicles is favoured over internal-combustion-engine (ICE) vehicles. There are opportunities for Nedbank to continue financing other parts of the electric vehicle value chain to support production capacity growth of infrastructure that is needed to scale zero-emissions vehicles.

Physical risk

2021 South African Reserve Bank common scenario stress test

As part of the 2021 common scenario stress test conducted by the South African Reserve Bank (SARB), Nedbank performed a climate stress test that assessed the impact of an acute physical risk event (a drought scenario) on its agricultural portfolio.

The results from the climate stress test reflected deteriorating credit quality in the agricultural portfolio. This trend in the credit quality, denoted by the probability of default (PD), loss-given default (LGD) and proportion of non-performing loans (NPLs), was determined per province over a three-year stress horizon. In line with the rainfall forecasts provided by the SARB, the average PDs for the Northern Cape, Free State, Limpopo and North West were the highest due to the elevated vulnerability of counterparties in these provinces to drought conditions. While a deterioration in credit quality of the agricultural portfolio was observed, the impact on the overall risk and capital position of Nedbank was minimal.

Operational-risk-focused scenario (damage to physical assets)

Nedbank conducted a scenario analysis focusing on an operational-risk-focused scenario. The scenario considered the likelihood of a natural disaster event in which the bank might, in part or in total, experience the loss of its property portfolio (ie its buildings, including contents) as a result. 'Building contents' includes furniture, office equipment, IT equipment, fixtures, etc, owned by Nedbank).

Although climate change has not yet had a material operational-risk impact on Nedbank, we are well positioned to mitigate or respond to climate-related risks. In the unlikely event that a damage-to-physical-assets scenario materialises and impacts any of Nedbank's properties, the consequential impact would be cushioned by comprehensive insurance on all its properties and fixed assets. The insurance does provide cover against damage caused by natural disasters. However, Nedbank recognises the ever-increasing importance of climate risk in its operations and will continue to monitor and mature its programme to be operationally resilient.

Scenario analysis governance

Nedbank has developed a scenario analysis or model risk governance process that covers all three lines of defence, with final approval of climate scenarios from the CRC and the ALCO. The MRM division performs an independent review of the modelling data and key model outcomes every year. GIA provides independent assurance of the overall scenario analysis and model risk governance process.

Conclusion

Scenario analysis can assist us to formulate business strategy better, assess the range of potential management actions that may be needed, engage more productively in strategic conversations and identify indicators to monitor the external environment.

The use of climate-related scenario analysis, to assess potential business implications of climate change, is still at an early stage. We will continue to grow our capacity in this field to assess possible climate-related outcomes that are highly uncertain and potentially disruptive over the time horizons.



Strategy (continued)



Managing climate risks

Climate-related risk management requires close collaboration between business, risk functions, and other support functions across the organisation. Nedbank integrates climate-related risk management across various functions, including existing governance forums. The operationalisation of climate-related risk management is guided by the CRMF.

Assessing Nedbank's climate-related risks and opportunities







Nedbank considers short-term (one to five years), medium-term (five to 10 years), and long-term (10 to 30 years) time horizons when assessing climate-related risks and opportunities that are likely to have an influence on its business strategy. We have identified key physical and transition risks and opportunities that could result in financial

impact on the group and have an impact on the overall group strategy. Through early adoption of climate-change-mitigating actions, these risks can be minimised or mitigated, and the risks can be turned into reward (opportunity). These typically manifest themselves over the medium and long term, as illustrated in the table below.

The table below details risks and opportunities that we have identified that could impact our

business. We have placed the most emphasis on transition risks, as we are focused on playing a key role in transitioning to a net-zero carbon economy by 2050. We have further identified the transition to a net-zero carbon economy by 2050 as a key opportunity within our business environment.

Further details on how Nedbank manages climate-related risks are set out in the Risk Management section of this report.

	Risks				Opportunities	
Type	Physical: Acute	Physical: Chronic	Transition: Policy, legal and technology	Transition: Reputational and market	Strategy and market	Market and technology
Description	Changes arising from extreme weather events such as drought and floods can affect our own operations and our clients.	Increases in the average temperature, and the variability in weather patterns.	Risks arising from the fundamental decisions that management take concerning Nedbank's purpose-led objectives and decision-making on transitioning to lower-carbon technology.	Shifts in the preferences of clients and potential clients, employees, the media, investors, competitors, regulators and the public.	Financing of renewable-energy projects, including funding of new technologies such as green hydrogen, production of electrical vehicles etc.	Embedding climate opportunities in the consideration of SDG-related business opportunities, as the SDGs are a key strategic consideration for Nedbank in the fulfilment of its purpose.
Likelihood	Likely 	Likely 	Likely 	Likely 	Likely 	Likely 
Impact on lending, underwriting, and investing practices	Inability to pay back loans. Write-offs, stranded assets and assets that may be located in high-risk allocations.	Increased insurance premiums. Reduced insurance availability on high-risk assets.	Costs to transition to lower-emissions technology – Replacement of existing products and services with lower-emission options.	Reduction in demand for Nedbank's products or services owing to changing consumer preferences. Repricing of assets already covered by Nedbank.	Opportunity to fund new and growing markets and support our clients in a transition to a more resource efficient economy.	Opportunity to fund new and growing markets and support our clients in their contributions to the sustainable-development agenda by addressing human or client needs – the just transition – aligned to the SDGs.
Impact on own operations	<ul style="list-style-type: none">Intense floods, heatwaves and droughts could impact the health and safety of our people.Extreme weather events impact revenue, as more expenditure takes place.	<ul style="list-style-type: none">Increases in demand for freshwater, resulting in increasing operating costs.Increased capital costs owing to facilities or operations that may be impacted.Lower revenue owing to physical impacts.	<ul style="list-style-type: none">Failing to achieve these business objectives as a result of climate change can lead to the group being exposed by not changing its strategy either fast enough or doing too little, which will result in missed opportunities and Nedbank becoming less competitive in the market.	<ul style="list-style-type: none">Growing stakeholder activism and public awareness of divestment campaigns and ending of fossil fuels will prompt the bank to reconsider any involvement or financing of fossil fuels.Increase in production costs.Shifts in energy costs.	<ul style="list-style-type: none">Opportunity to transition all Nedbank operations to renewable energy.	<ul style="list-style-type: none">Making use of technological developments to manage our own operations.
Financial Risk	Credit and operational risk		Regulatory, compliance, reputational, credit and operational risk and opportunity			
Time period (S-M-L)	S	S-M-L	M-L	M-L	M-L	S-M
Management Response - lending, underwriting, and investing practices	We proactively work with clients to understand, identify and help enable their just transition pathways. We work with our clients to ensure their resilience and effective adaptation to the impacts of climate change by supporting our clients' transition and enabling them to tilt their good and services to more sustainable alternatives.		Our short-term focus has been on the Just Energy Transition pathway given the significant impact of the energy system on climate change, especially within the South African context. Our medium-to-long-term focus will shift to the harder-to-abate sectors. Nedbank has set targets to reduce the amount of investment in non-renewable-energy sources (including thermal coal, upstream oil and gas).		Nedbank supports the SA REIPPPP (board limit up to R50bn*) and aims to have increased financing for embedded-energy projects.	Nedbank has identified six SDGs that relate directly to climate change and actively engage in activities to ensure the business undertakes projects that help to achieve these SDGs.
Management Response - Own Operations	<ul style="list-style-type: none">Reassess our Climate Change Position Statement and Energy Policy, being mindful of the IPCC AR6 and the outcomes of COP26. We are satisfied that both our principle-based position statement and the underpinning Energy Policy response remain appropriately aligned to the objectives of the Paris Agreement.We embed climate change awareness into our culture through online and face-to-face training for employees, management and board.We review governance structures to ensure enhanced focus on climate resilience through a just transition pathway.We perform ongoing testing of scenario planning as a long-term climate change strategic decision-making tool.Updated Carbon Footprinting, Water Savings and Energy Efficiency guides are provided online.					

Key: S = short term; M = medium term; L = long term * The R50bn is a risk limit specifically for the REIPPPP, subject to ongoing board review. We anticipate that this limit will be reconsidered at the appropriate time as the programme continues with its success.



Risk Management

Our process for identifying and assessing climate-related risks	35
Our process for integrating climate-related risks into our overall risk universe	35
Our process for managing climate-related risks	36

“Nedbank has demonstrated a leadership position in climate-related matters and continues to enhance and fast-track our maturity in climate risk management.”

Trevor Adams, Group Chief Risk Officer

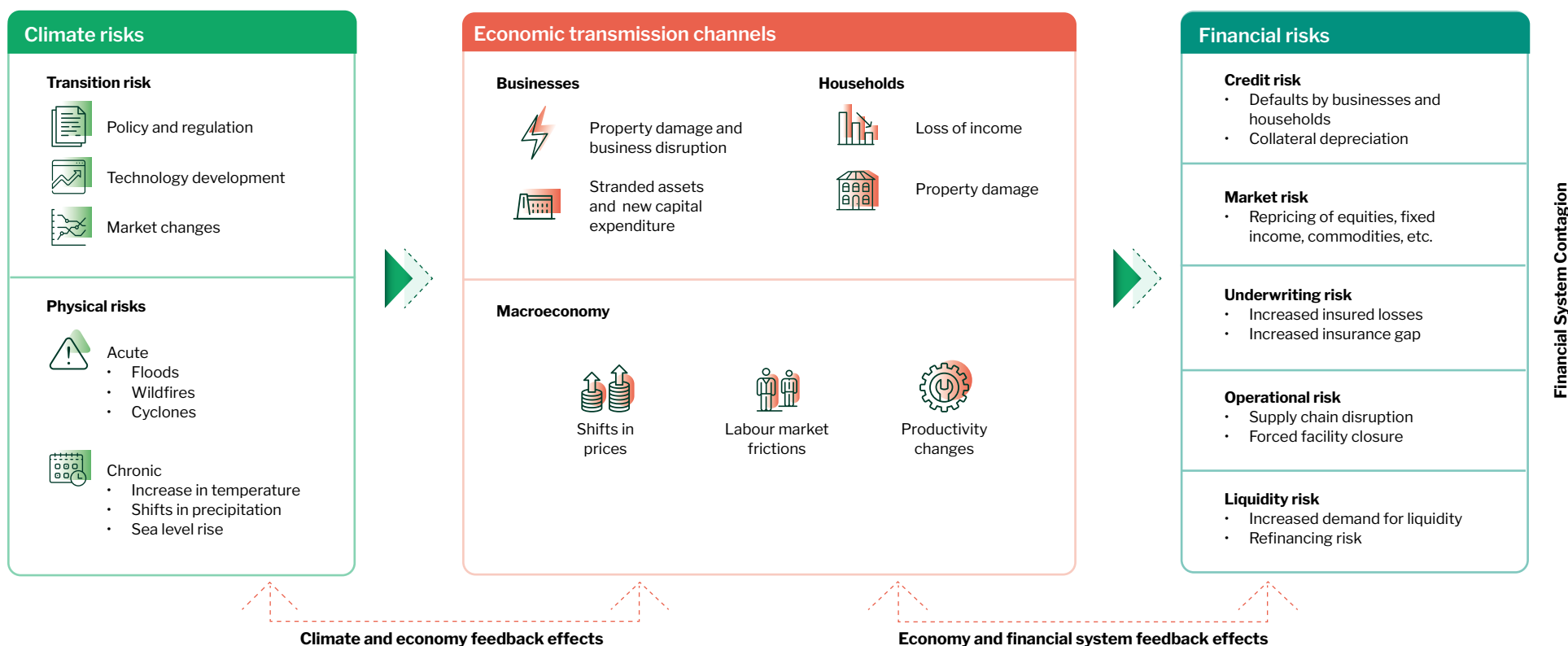
Risk Management

An orderly transition minimises the risks associated with climate change. Nedbank's risk strategy focuses on the new era of risk and the opportunities and threats in a rapidly changing global landscape. We view climate change as both a risk to our business, and an opportunity for us. We support the goals of the Paris Agreement, and work with clients to understand their exposures to climate-related risks.

The potential impacts that physical and transition risks could have on households, businesses and the macroeconomy ultimately require us to view climate risk as a risk that has an impact on various financial risks. As shown in the following diagram these effects call for the need to translate climate into financial risk models that assess risks such as credit, market, underwriting, liquidity and operational risks.

The diagram summarizes key climate impacts, economic transition channels, and financial impacts. A detailed table of these risks (and opportunities) identified by Nedbank can be found in the 'Strategy' section of this report.

Climate risks to financial risks



Source: Adapted from the Network of Greening the Financial System's Climate Scenarios for central banks and supervisors, June 2020 and ING Group 2021 Climate Report.

Risk Management continued

Nedbank's risk management processes consist of numerous frameworks, management systems, principles and plans. A summary of these are set out below, with further detail set out in the rest of the section.

Nedbank's processes for identifying and assessing climate-related risks.

The climate-related risk management process, including the CRMF, enables Nedbank to minimise downside risks and optimise upside risks effectively.

Nedbank's inherent- and residual-risk profiles – including its risk and control self-assessment (RCSA) – enables risk identification.

Nedbank's processes for managing climate-related risks.

Own operations:

- Risk identification and assessment, risk mitigation and the monitoring of risks and control effectiveness.
- Third-party dependency management.
- Business continuity plans (BCPs), eg the Water Crisis Plan and the National Blackout Plan.
- Recovery and resolution planning.
- Key risk indicators (KRIs).
- Key performance indicators (KPIs).

Lending, underwriting, and investing practices:

- Nedbank's SEMS – active management of the 17 risk categories – climate-related risk assessments are performed as part of the SEMS process in the financing of projects.
- Equator Principles used to consider globally accepted environmental and social sustainability standards in our lending practices.
- Scenario analysis and stress testing.
- Risk appetite targets and limits.
- New-product approval process.
- KRIs and KPIs.

Nedbank's processes for integrating risks into the organisation's overall risk management.

ERMF – principles that enable the group to identify, assess, manage, monitor and report on risks. The ERMF integrates risk, finance and balance sheet management across the group's entire risk universe, and covers business units and operating divisions, geographical locations, and legal entities.

3LoD – execution of strategy and risk management within the group.

Risk Management continued

Our process for identifying and assessing climate-related risks

The transition to a net-zero carbon economy will need to be managed well to ensure that risks are identified and opportunities are optimised. To manage these risks effectively, Nedbank considers these risks in terms of its own operations, lending, underwriting and investment practices.

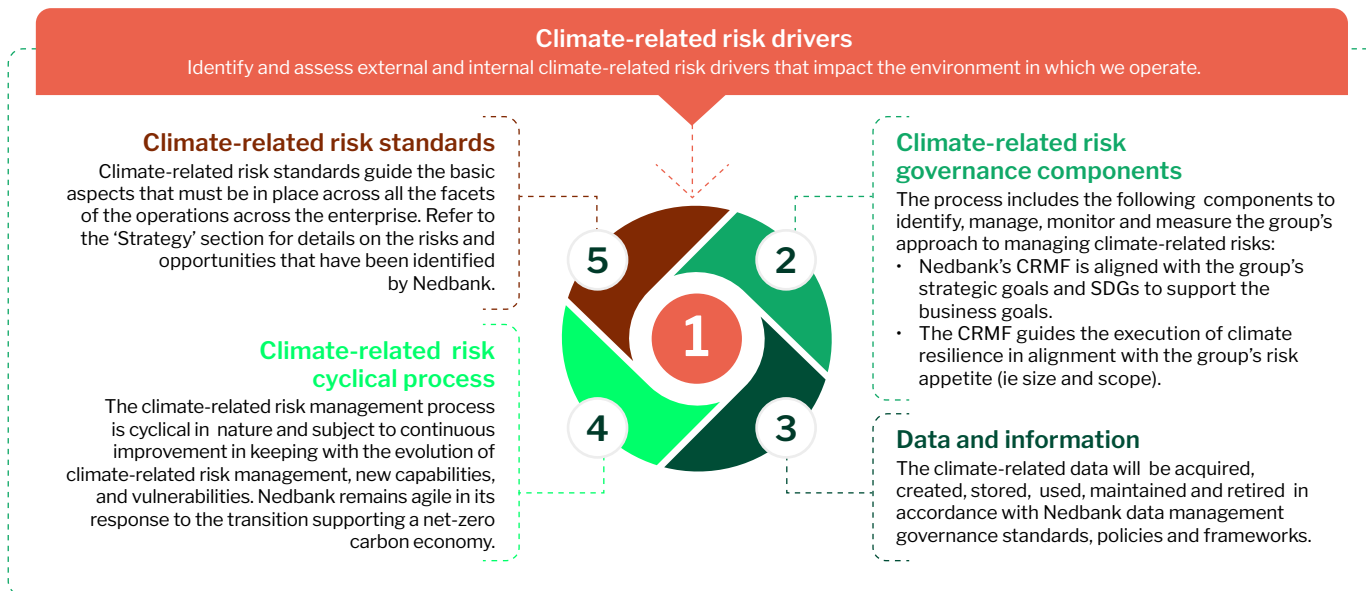
The climate-related risk management process enables Nedbank to minimise downside risks and optimise upside risks effectively. The climate-related risk management process consists of five interlinking steps that form a holistic basis for climate-related risk management. We continue to monitor climate-related requirements and potential emerging regulations for consideration.

Integration of climate-risks into the overall risk management framework

Nedbank has the ERMF, which stipulates the principles that enable the group to identify, assess, manage, monitor and report on risks, ensuring an efficient and an effective integration of risk management for the risks faced by the group. The ERMF provides a solid and well-established, tried and tested framework for governance and the management of risk and compliance throughout the group. Furthermore, Nedbank uses the 3LoD Model as the backbone of the group's ERMF and it is integral to the execution of strategy and risk management in the group. Refer to the diagram alongside for details on how the 3LoD aids in the execution of strategy and Risk Management in the group.

The ERMF specifically allocates the 17 key risks (including environmental risk, of which climate is a sub-risk) across various board committees, executive management committees at group executive level and governance within business clusters, as well as individual functions, roles and responsibilities. Climate-related risks are systemic to all activities. Therefore, climate risk is integrated into the Nedbank risk universe. Our detailed analysis of our 17 risks can be found at www.nedbank.co.za in our 2020 TCFD Report.

Our climate-related risk management process



How the three lines of defence aid in the execution of strategy and Risk Management in the group



Risk Management continued

Our process for identifying and managing climate-related risks

Inherent-risk profile

The inherent-risk profile identifies Nedbank's inherent risk before controls are implemented for the effective management of climate-related risks. The inherent risk profile is determined based on the following categories:

- **GHG emission industries** – Various industries pose a higher inherent risk depending on the nature of the specific GHG emissions. Inherent risk increases as the GHG emissions increase.
- **External threats** – These include changing weather patterns, client behaviour and preferences, new technology and innovation, legislation, and risks. Nedbank may be exposed due to activities of lending, investing, insurance, and the group's own operations.

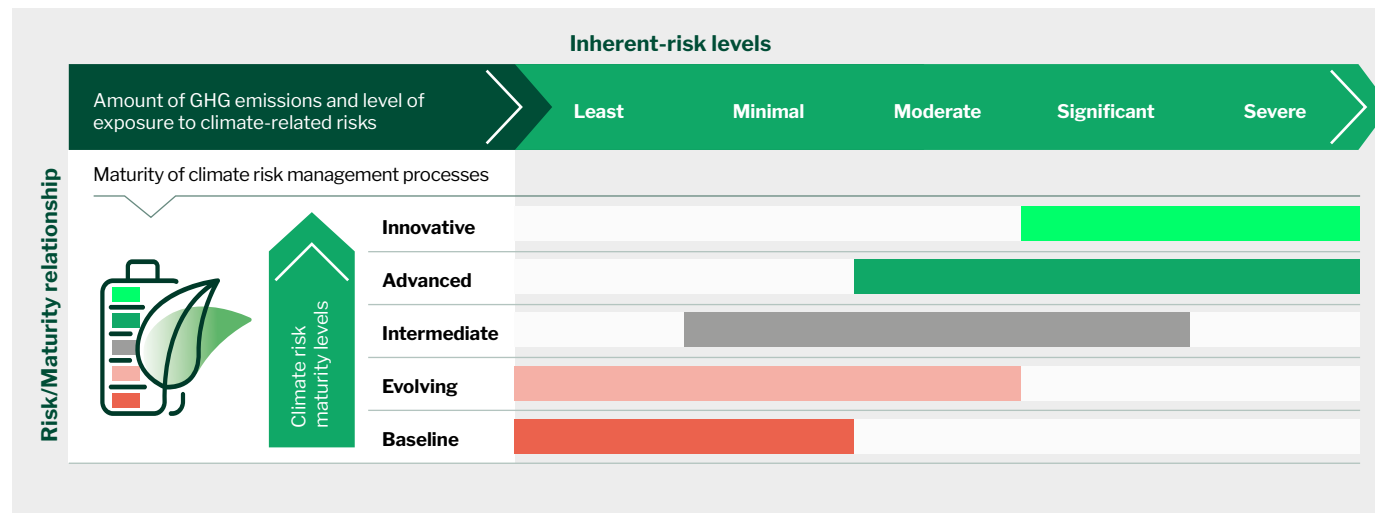
Inherent-risk profiles for external threats are obtained through an initial RCSA conducted by businesses as identified by the respective cluster ERM teams, to assess climate-related impacts across operational, credit, market, reputation and people risk, which will inform cluster risk profiles. The results for client-facing clusters and supporting functions are aggregated to identify the inherent-risk profile of Nedbank's lending book, clients and industry exposures.

By identifying both our inherent-risk profile and maturity levels across these domains, management can determine whether its maturity levels are appropriate in relation to its inherent-risk profile. If not, we may act either to reduce the inherent risk or to increase the maturity levels. Refer to the diagram alongside for a summary of how inherent-risk profiles and maturity levels are categorised.

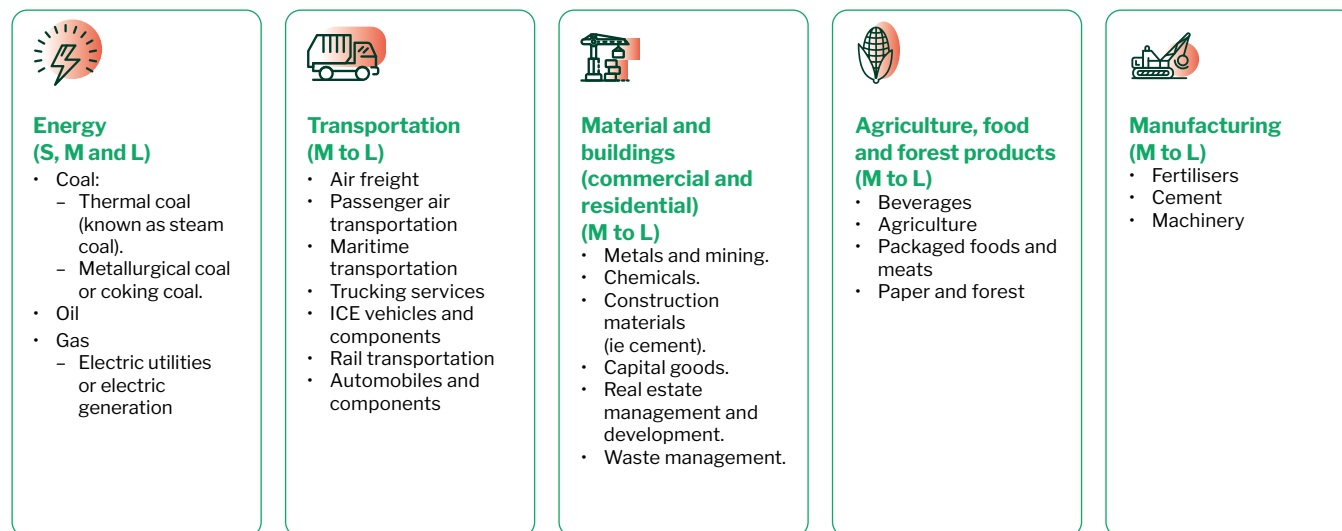
We have identified the following GHG intensive sectors and were guided by corresponding time horizons supported by IIF publications. Nedbank considers the following time horizons when assessing climate-related risks and opportunities that are likely to have an influence on our business strategy:

- Short term (S) – one to five years: In line with our financial planning horizons.
- Medium term (M) – five to 10 years: Aligned with 2030, the planned trajectory for South Africa stemming from the Low Emission Development Strategy (LEDS).
- Long term (L) – 10 to 30 years: Aligned with the longer term nature of climate change, and the Paris Agreement.

Summary of how inherent-risk profiles and maturity levels are categorised



GHG-intensive sectors and time horizons that are likely to have an influence on our strategy



Risk Management continued

Managing operational climate-related risk

Operational risk refers to the risk of loss resulting from inadequate or failures in people, processes (including internal controls) and/or technology, or can be triggered by external events like natural disasters and/or pandemics. Changes in the frequency and severity of extreme weather events such as drought or flooding could result in increased instances of business interruption and cause significant damage to our infrastructure and assets, including our branches, data centres, ATMs and campus site buildings. Furthermore, our internal enablers, ie the infrastructure, processes, people, systems, suppliers, could be vulnerable and ill-equipped to respond to these hazards.

The bank acknowledges the effect of the climate change-related risk drivers on its operations and has analysed the impact of physical risk on its operable safety and its organisational resilience management journey. The bank embraces operational resilience as its ability to deliver critical operations through disruption. This entails identifying proactively and protecting itself from threats and potential failures, responding and adapting to, as well as recovering and learning from, disruptive events in order to minimise the impact on the delivery of critical operations through disruption.

As money experts who do good, Nedbank continues with its journey to make a meaningful contribution towards the transition to a low-carbon economy through execution of its core business activities and its association with clients and other stakeholders with similar ethos. The transition is an imperative, also recognised by the regulators, climate activists, clients, shareholders and the broader community. Failure to conduct business, demonstrated through

our products, services, advisory capacity, and management of our own operations in a climate-sensitive approach, could attract legal and litigation exposures to the bank. As such, Nedbank engages with multiple stakeholders to understand the impacts of climate risk on these stakeholders and on Nedbank, and how to respond. Refer to Annexure B of this report for more details on the stakeholder engagement that Nedbank undertakes.

Operational-risk management and operational resilience

Operational resilience is an outcome that benefits from the effective management of operational risk. Activities such as risk identification and assessment, risk mitigation and the monitoring of risks and control effectiveness work together to minimise operational disruptions and other related exposure such as litigation and infrastructure damages and their effects.

Important factors like business continuity, outsourcing of material or critical services to third parties and technology that the banks rely on are considered in the strengthening of its operational resilience. Existing risk management frameworks, BCPs and third-party dependency management are implemented consistently within the organisation in support of its recovery and resolution planning.

Nedbank also considers climate risk extensively from a stress testing perspective as part of the annual Internal Capital Adequacy Assessment Process (ICAAP). Some considerations include Nedbank's climate change resolutions, scenario analysis and SARB 2021 climate risk stress testing.

Journey to climate-related resilience in our own operations

Due to the rapid change and complexity in the threat landscape caused by pandemics, increased digitisation, cybercrime, severe weather and climate change as well as civil and political instabilities, Nedbank has embarked on a journey to operational resilience that builds and enhances our resilience from our robust and mature business continuity capability and aims to bring together multiple disciplines within the organisation to ensure the delivery of important business services, their interconnectedness and interdependencies and the delivery mechanisms thereof to ensure continuous service delivery to our clients during any disruption.

This enhanced capability will enable Nedbank to not only respond to and recover from disruptions but also to anticipate, prepare, respond and adapt to incremental change and sudden disruptions in our operating environment.

Impact of climate risk on business continuity planning

Business continuity and IT continuity management are core elements of operational risk and focus on ensuring that the bank is operationally resilient.

This means that Nedbank has proactively identified potential risks and have implemented measures to reduce the likelihood of these risks occurring and have simultaneously developed business and IT continuity plans so that if these risks do occur, the bank is prepared adequately to respond effectively and to ensure continuity of critical services (branches, ATMs, Nedbank Contact Centre, digital channels such as the Money app and Online Banking) to our clients and stakeholders.

Severe weather events could impact business continuity, including branch networks, offices, infrastructure, processes and employees. Examples of climate-change-related impacts to the bank include infrastructure damages, unavailability of premises or system outages caused by extreme weather that could trigger one of the BCP scenarios.

In response to the effects of climate change, we have developed the Water Crisis Plan and National Blackout Plan as part of our readiness plans. The Water Crisis Plan successfully responded to the abnormal weather conditions (droughts) experienced in the Western Cape, which is fit for adoption should a similar crisis develop in any of the other provinces in South Africa. Similarly, in efforts to ensure the continuity of operations should there be a national blackout (power outage), the National Blackout Plan crafted several initiatives to ensure that the business can continue operations for an extended period.



Risk Management continued

on the risk profile

Given the importance of forward-looking assessments, scenario analysis is an important and useful tool for the bank to identify and assess risks and opportunities and to respond to them. Scenario analysis uses expert judgement to estimate the operational-risk exposure of the group and focuses on operational risks that may impact the solvency of the bank.

The scenario analysis process requires stakeholders to conduct detailed analysis of both internal and external credible operational-risk data (risk assessments including new and emerging risks, loss of data, scenario library themes benchmarked with peers) to inform the process. Nedbank makes use of SAS Global loss data and the Operational Risk-data eXchange Association (ORX) loss and scenario library data. Subject matter experts consider and interpret analysed risk data and apply expert judgement in the final assessment of the exposures.

Nedbank has a damage-to-physical-assets scenario that is reviewed every year and covers events in which the bank might, in part or in total, experience the loss of its property portfolio (ie its buildings, including contents) as a result of intended or unintended disastrous weather events or other circumstances (terrorist attacks, arson, etc). Business clusters have litigation scenarios that involve regulatory bodies and third parties instituting legal action against the bank that could arise from intentional or unintentional process deviations, contractual breaches and unacceptable business and market practices resulting in subsequent financial losses and reputational risk.

Nedbank takes into account lender liability for pollutive actions as a credit extender for high-impact business activities such as manufacturing, mining, agriculture and fuel production.

Some regulatory bodies have taken a strong stance on institutions that extend credit to clients who are not compliant with environmental legislation. Potential legal ramifications for lender liability include among other things, fines and penalties, third-party claims and rehabilitation costs, which forms part of litigation within the ambit of operational-risk management.

Managing climate-related risks within Nedbank's lending, underwriting, and investing practices, and integrating these risks with social and environmental risks.

The year 2021 has been a year of recovery and resilience and has emphasised the importance of identifying, managing and reporting on social and environmental risk. Nedbank enhanced its Social and Environmental Risk Framework, Policy and Management System to expand on the social and environmental imperatives within our operations and those of the clients we finance. The management of climate-related risks within Nedbank's lending, underwriting, and investing practices is also arguably the most significant area of impact that Nedbank has on climate change (eg these practices influence the speed, nature and effectiveness of other organisations' transition to a net-zero carbon economy). Therefore, Nedbank considers this a key focus area. Climate-related risks can be embedded in the lending process where Nedbank provides funding for projects. These types of transactions have an impact on credit risk. Risk management is applied to the various GHG-intensive industries of focus to manage risks effectively, leveraging existing risk management practices embedded in the groups' processes, policies and frameworks.

Nedbank's key objectives in managing social and

environmental risk (including climate risk) include the following:

- Managing our direct impacts through reducing the social and environmental impacts in our own operations and in the facilities we occupy.
- Managing our indirect impacts through responsible lending by ensuring that the social and environmental risks of the projects and investments our clients undertake are adequately assessed and addressed.
- In accordance with the CRMF, anticipating risk through developing scenarios, monitoring and managing the impact of climate risk on our operations, our business activities, the activities conducted by our clients and the communities we operate in.
- Ensuring alignment and mapping with the group's strategic goals and supporting the business objectives linked to the SDGs as set out in the Nedbank strategy.

Nedbank actively manages 17 risk categories and primary exposures to these risks results from lending and investment activities. These risks are managed actively using SEMS and by ensuring that Nedbank is aligned with industry best practice, and environmental, social, and human rights benchmarks. Nedbank has developed an independent social-and-environmental-risk assessment, with the assessment criteria linked to relevant Equator Principles and International Finance Corporation (IFC) Performance Standards. All client-facing credit risk reviews and new applications include the screening of high-risk clients and Equator Principles-relevant deals through the SEMS. Climate-related risks are integrated into the existing SEMS process to ensure it is assessed when granting credit. SEMS is a risk management strategy created to ensure that the group minimises the impact of the Nedbank business activities on society and the environment. This is done with two primary goals:

- Firstly, managing Nedbank's own direct impacts and reducing the environmental impacts of the group's operations and the

facilities the group occupies.

- Secondly, guiding and facilitating responsible lending and investment by ensuring that all social and environmental risks associated with the clients and projects Nedbank finances are assessed adequately.

All transactions in high-impact sectors, such as mining, oil and gas, agriculture, property and water infrastructure, as well as waste, have to receive social and environmental sign-off before a credit committee considers financing in line with the SEMS governance process, industry best practice and environmental, social and human rights benchmarks. We also have a partnership approach to all sensitive investments, working closely with our clients and relevant authorities to maximise benefits and minimise the negative impacts of these activities.

With SEMS, clusters developed procedures and workflows for lending activities across the bank. The SEMS already supports the operationalisation of the Nedbank Energy Policy to ensure deals honour the limits set for the funding of new thermal-coal projects, ie thermal-coal mining, thermal-coal-related infrastructure, and thermal-coal-related trade. Nedbank has set a restriction on total coal mining lending to 1% of total group gross loans, with the intent to reduce the exposure to 0,5% by 2030.

In 2021 the most significant application of SEMS within our specific business units was as follows:




- In our Investment Banking and Client Coverage divisions all new applications and credit-risk reviews of high-risk transactions were included in the SEMS-assessment process and externally assured.
- In 2021 a total of 703 (2020: 764) deals were assessed in CIB (excluding Property Finance) and 1 223 (2020: 1 043) deals in Property Finance.
- The SEMS process is used in Nedbank's Retail and Business Banking (RBB) and Wealth

Risk Management continued

clusters. Due to the number of clients in RBB, a risk-based approach is taken. This requires clients to disclose any negative environmental or social impact their activities might have in the necessary client documentation. Any disclosures are then assessed through the SEMS process and, if necessary, mitigating actions are taken.

- In our Business Banking operations, we have identified and defined high-impact industries. In 2021, 930 clients (2020: 948) involved in these sectors were assessed.
- In the Nedbank Wealth business, most of our social- and environmental-risk exposure results from clients' acquisition of industrial and commercial properties that could present asbestos or land contamination concerns. The total number of clients assessed in 2021 was 188 (2020: 100).
- Our SEMS process has been adopted across NAR.

The table below provides selected details on risk management practices for specific industries within Nedbank's lending, underwriting and investing activities.

Industry	Risk Management approach
Energy and fossil fuel 	Engaging with clients to understand their exposure to climate-related risks and impacts (eg carbon footprints). Working with our clients to move towards increased, standardised disclosure of climate-related financial risks as set out by the TCFD. Developing frameworks to monitor specific climate change impacts on the credit risk of the banks' portfolios.
Manufacturing 	Assessing the impact on client's business operations due to severe weather. Conducting assessment on the level of awareness in relation to climate-related risks and formulating an action plan to increase awareness internally. Conducting a vulnerability assessment in relation to elaborate supply chain and other climate-sensitive resources in terms of client supply chain.
Agriculture 	Considering weather pattern changes in the financing of greenhouses or other forms of farming. Offering index-based agricultural insurance to transfer risk. Preparing farmer advice and communication based on historical data and risk assessment based on weather conditions, climate forecasts, and optimal management processes.

Applying the Equator Principles to our lending practices

As a leading provider of project finance in South Africa, we carefully consider all prospective project finance transactions, project-related corporate loans, project finance advisory services and specific bridge loans against the clearly defined, globally accepted environmental and social sustainability standards. Key to this approach is compliance with the Equator Principles, an international voluntary framework aimed at ensuring a consistent approach to managing environmental and social risks in project and corporate financing.

One Equator Principles deal (two in 2020) to the value of US\$59 665 000 had its first drawdown in the 2021 financial year.

We have aligned our processes with Equator Principles 4, which came into effect on 1 October 2020. In 2021 Nedbank served on the Equator Principles Steering Committee, enabling us to be at the forefront of the implementation of Equator Principle 4 and to represent our region and developing countries in general more effectively. The Equator Principles 2021 AGM discussions focused on how the structure of the association can be improved to better reflect and meet the needs of members and increasing accountability and transparency of the association.

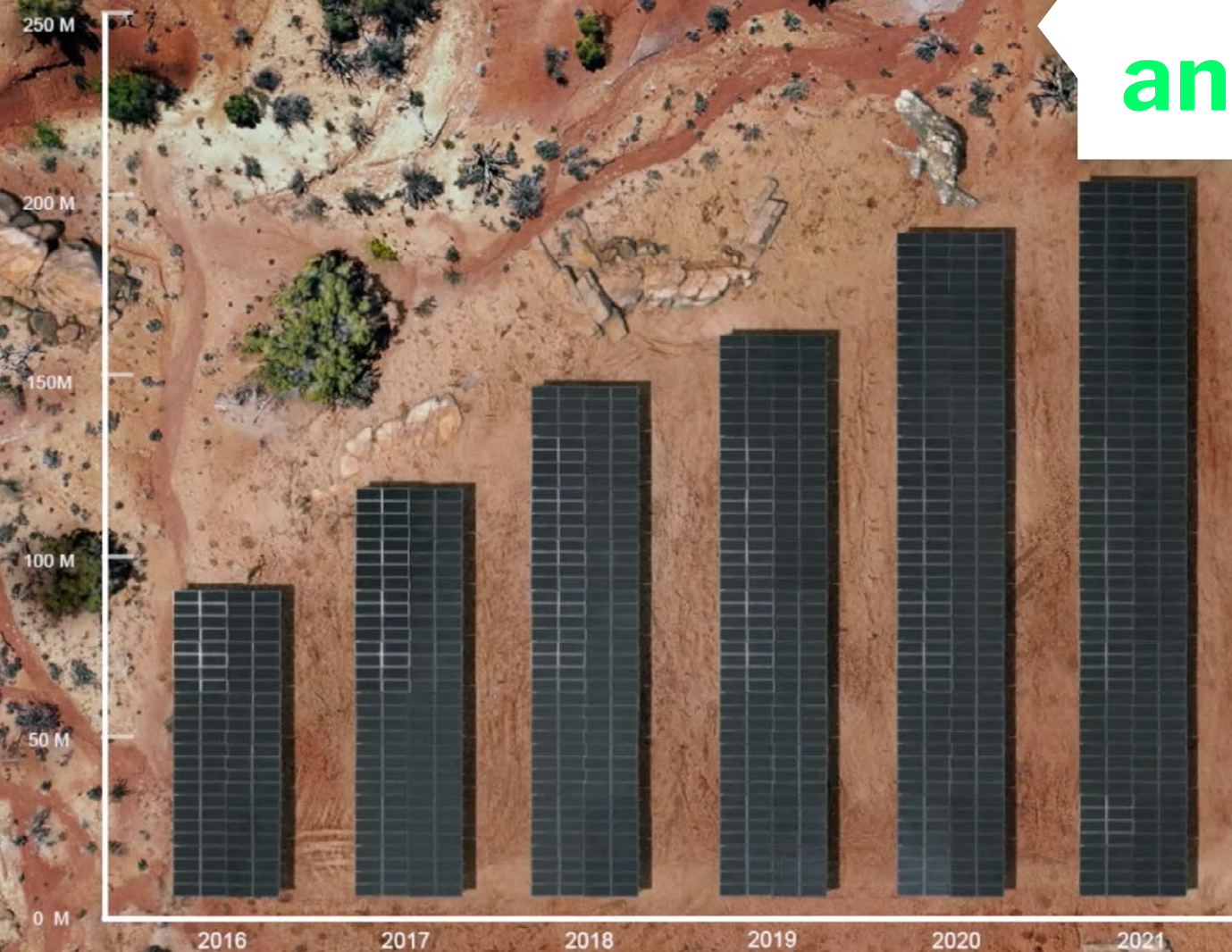
Our approach to responsible investment (RI)

Most of our group's investments and asset management activities take place through Nedgroup Investments and Nedbank Private Wealth. Nedgroup Investments acknowledges the far-reaching implications of how we invest. As such, environmental, social and governance factors are assessed across our range of investment products, with 100% of our assets subject to positive and negative environmental or social screening.

Nedgroup Investments believes that generating a perspective on sustainability provides important insight into existing or emerging environmental, social and governance (ESG) risks and opportunities. Consequently, we have an increased focus on climate in our investment process. The Nedgroup Investments RI Guidelines draw on the key elements of the UN-backed Principles of Responsible Investment (UN PRI); the requirements of Regulation 28 of the Pension Funds Act, 24 of 1956 (Reg 28); the King Code; the Code for Responsible Investing in South Africa (CRISA); and the UK Stewardship code.

These guidelines also build on Nedbank Group's existing sustainability governance structures and policies framework, which recognises that in leading by example we accept responsibility for managing and limiting the direct impact that our operations have on the environment and society.

Metrics and Targets



Our targets and performance	41
Metrics we use to assess climate-related risks and opportunities	43
Scope 1, 2 and 3 emissions	47

Metrics and Targets

Nedbank is committed to tracking and managing its own operational, lending and investment impact.

Given the complexity of climate change, the industry, both globally and locally, requires time to collect data and build models and the intellectual capacity to address risks as they arise. The intricate economics of climate change – contagion effects, non-linearities and uncertainty – will require substantial qualitative and quantitative resources to design and monitor climate metrics and targets.

In response to this, among other things, a data and systems working group that spans the enterprise was established and tasked with assessing requirements relating to the high-GHG-emission-sectors, collecting climate-related data, as well as building and enhancing impacted systems.

Nedbank will further evolve our reporting journey by reviewing metrics and targets over time to ensure coherence with the objectives of the Paris Agreement, including the latest scientific understanding and other relevant factors. This will translate into effective and comparable disclosures.

Key highlights of Nedbank's climate journey throughout the past year

Renewable-energy solutions

Continued support of the REIPPPP with facility limits of

R35,3bn

4,1% of GLAA*
at 31 December 2021

The combined **Embedded Energy Generated Projects** facility¹ limits

▲ by R104m

to R1,1bn
0,1% of GLAA*
at 31 December 2021

Financing of fossil-fuel-related activities

Facility limits for upstream oil

▼ by R2,3bn

to R13,5bn
1,6% of GLAA*
at 31 December 2021

Facility limits for non-renewable power generation

▼ by R739m

to R10,7bn
1,3% of GLAA*
at 31 December 2021

Facility limits for thermal coal

▼ by R2,9bn

to R2,8bn
0,3% of GLAA*
at 31 December 2021

Facility limits for upstream gas

▼ by R4,1bn

to R468m
0,1% of GLAA*
at 31 December 2021

Own operations

Our own operations have been carbon-neutral for the last

12 years

Total carbon emissions tCO₂e

▼ by 29,5%

since the 2019 baseline year

Key performance targets for 2025 as compared to the 2019 baseline year:

Paper consumption

Achieved

Water consumption

Achieved

Waste to landfill

On track

Recycling rates

Achieved

* GLAA: Gross Loans and Advances

¹ Combined energy projects refer to both embedded-energy projects (South Africa) and African renewable-energy projects.



Climate-related targets

The targets below have been set by Nedbank to assist in managing the risks and opportunities that have been identified. The key risk that is being managed through these targets is that of a transition to a low-carbon economy, with an opportunity arising in supporting renewable-energy projects.

	Description	Current performance against the target
2021	Continuing support of the SA REIPPPP within a R50bn limit.*	<p>On track: 31 December 2021 limit and exposure are within the target range.</p> <p>REIPPPP limits declined by R853m to R35,3bn at 31 December 2021 (2020: R36,2bn), with total exposure decreasing by R2,8bn to R28,7bn at 31 December 2021 (2020: R31,5bn).</p> <p>Our funding exposure of REIPPPPs is higher relative to exposure to funding of GHG exposures.</p>
2022	Financing of embedded-energy projects to accelerate the transition and accordingly aim to achieve R2bn of financing by 2022.	<p>On track: 31 December 2021 limit and exposure are within the target range.</p> <p>The combined Embedded Energy Generation Projects (SA and other regions in Africa) limits increased by R104m to R1,1bn at 31 December 2021 (2020: R1bn), with total exposure increasing by R59m to R855m at 31 December 2021 (2020: R795m). Our ambition for supporting small-scale embedded-energy projects is on track, with there being a strong forward pipeline.</p>
2025	Not to provide project financing for new thermal-coal mines, regardless of jurisdiction, from 1 January 2025.	<p>On track: Nedbank remains committed to ceasing all financing of any new thermal-coal mines in all jurisdictions from 1 January 2025.</p>
2030	To restrict total financing in aggregate for coal-mining companies, infrastructure related to thermal coal, and trade related to thermal coal to less than 1% of our group total advances, with this decreasing to 0,5% by 2030.	<p>Achieved for 2021: At December 2021, the thermal-coal limit was at 0,3% of gross loans and advances (GLAA) (2020: 0,7%). The drawn exposure was 0,1% of GLAA in 2021 (2020: 0,4%).</p>
2035	Not to provide any new financing for oil production, regardless of jurisdiction, from 1 January 2035.	<p>On track: 31 December 2021 limit and exposure are within the target range in terms of new upstream oil production projects financed.</p> <p>Facility limits for upstream oil production decreased by R2,3bn to R13,6bn at 31 December 2021 (2020: R15,9bn). Exposure for upstream oil production decreased by R1,8bn to R9,1bn at 31 December 2021 (2020: R10,9bn).</p>
2040	By 2045, have zero exposure to all fossil-fuel-related activities. Zero exposure to all activities related to fossil fuels 2045. Fossil fuels considered in this instance includes thermal coal, oil and gas.	<p>On track: According to the above targets, Nedbank is on track to reduce its exposure to fossil-fuel-related projects, after which we can advance to refining our lending and investing activities to support a net-zero economy only.</p> <p>Facility limits for non-renewable power generation decreased by R739m to R10,7bn at 31 December 2021 (2020: R11,48bn). The exposure decreased by R3,6bn to R6,5bn at 31 December 2021 (2020: R10,2bn).</p>
2050	By 2050, have 100% of our lending and investment activity supporting a net-zero carbon economy.	

Note: Rounding of figures may cause computational discrepancies.

* The R50bn is a risk limit specifically for the REIPPPP, subject to ongoing Board review. We anticipate that this limit will be reconsidered at the appropriate time as the programme continues with its success.

Managing transition risks in our lending portfolio

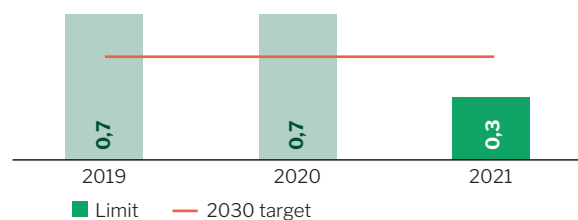
To measure the key targets that we have set, Nedbank measures the amount of investment made that contributes to transitioning to a net-zero economy. Key metrics are discussed below.

Thermal coal¹

Nedbank tracks total financing in aggregate for coal-mining companies, thermal-coal-related infrastructure, and thermal-coal-related trade to ensure this remains less than 1% of group total advances, reducing it to 0,5% by 2030. At 31 December 2021 the thermal-coal ratio was at 0,3%, which means that the target set for 2030 has already been reached. We will continue to maintain our progress against this key target.

	Rm			% of GLAA	
	2021	2020	Change	2021	2020
Thermal coal²					
Limit*	2 835	5 707	(2 872) ³	0,3	0,7
Drawn exposure	1 259	3 600	(2 341)	0,1	0,4

Thermal-coal facility limits as a percentage of group total advances (%)



Non-renewable-power-generation exposure

In its Energy Policy, Nedbank has undertaken not to provide financing to any new coal-fired or power stations or utility-scale or embedded oil-fired power generation, regardless of technology or jurisdiction. We have further undertaken not to provide financing for new utility-scale or embedded gas-fired power generation from 1 January 2030. On this basis, we track total financing in aggregate for non-renewable-power-generation exposure to ensure that we continue to adhere to these commitments.

	Rm			% of GLAA	
	2021	2020	Change	2021	2020
Non-renewable-power-generation exposure					
Limit*	10 741	11 480	(739)	1,3	1,3
Drawn exposure	6 557	10 240	(3 683)	0,8	1,2

Oil and gas

Considering that gas will play a key part as we transition into a net-zero carbon economy, it is Nedbank's view that gas must be considered separately. Therefore, oil and gas are discussed as two separate sectors. The petroleum industry is also known as the oil industry and is divided into three major streams.

	Rm			% of GLAA	
	2021	2020	Change	2021	2020
Upstream oil⁴					
Limit*	13 559	15 900	(2 341)	1,6	1,8
Drawn exposure	9 110	10 900	(1 790)	1,1	1,3
Upstream gas⁴					
Limit*	468	4 600	(4 132)	0,1	0,5
Drawn exposure	424	1 800	(1 376)	0,05	0,2

Upstream (oil exploration and production)



Midstream (transport and storage)



Downstream (refining, distribution, marketing, and sale of petroleum products)



For the purposes of this report only upstream activities are included. The scope will be expanded to include the midstream and downstream activities over time.

* Limits include all committed facilities approved to the clients, in the respective portfolios, aligned to the Nedbank Energy Policy.

1 Eskom is excluded from the thermal-coal funding values.

2 Excludes derivative products and environmental guarantees.

3 In line with the Energy Policy, two clients were removed from inclusion in the energy coal ratio, the first due to the correct re-classification of business from thermal coal to metallurgical coal, the second due to the sale of coal operations resulting in sales from thermal coal representing less than 40% of their revenue.

4 Includes all limits and exposures, including all products and derivatives, aligned to the Nedbank Energy Policy.

Funding the transition

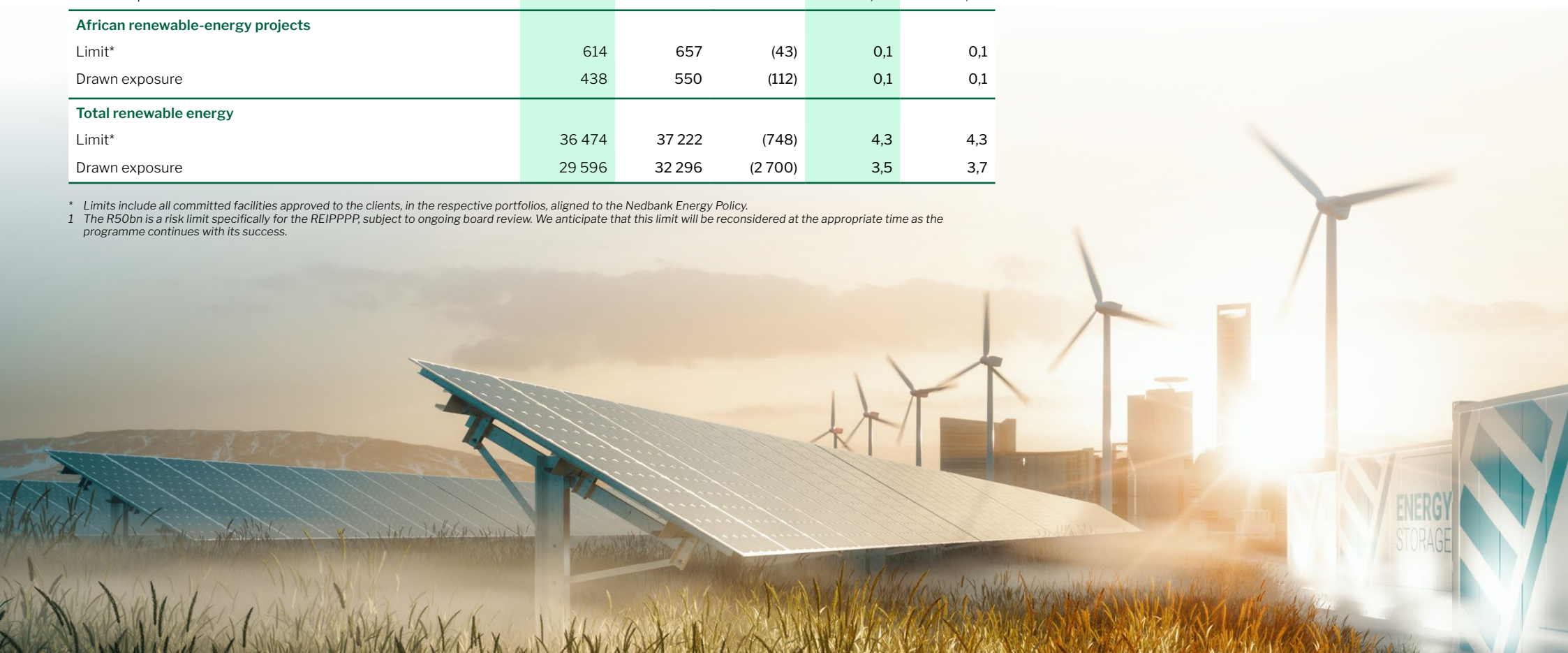
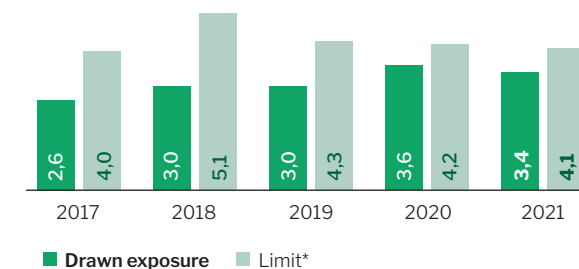
Nedbank aims to have zero exposure to all fossil-fuel-related activities addressed in accordance with its Energy Policy by 2045. We will continue to fund the transition to renewable and embedded-energy solutions (ie, renewable-energy, embedded-energy, and other technologies as they develop over time). The table below indicates the renewable-energy actual exposure and exposure as a percentage of group total advances.

	Rm			% of GLAA	
	2021	2020	Change	2021	2020
REIPPPP¹					
Limit*	35 347	36 200	(853)	4,1	4,2
Drawn exposure	28 741	31 500	(2 759)	3,4	3,6
Embedded-energy generation projects					
Limit*	513	365	148	0,1	0,04
Drawn exposure	417	246	171	0,05	0,03
African renewable-energy projects					
Limit*	614	657	(43)	0,1	0,1
Drawn exposure	438	550	(112)	0,1	0,1
Total renewable energy					
Limit*	36 474	37 222	(748)	4,3	4,3
Drawn exposure	29 596	32 296	(2 700)	3,5	3,7

* Limits include all committed facilities approved to the clients, in the respective portfolios, aligned to the Nedbank Energy Policy.

¹ The R50bn is a risk limit specifically for the REIPPPP, subject to ongoing board review. We anticipate that this limit will be reconsidered at the appropriate time as the programme continues with its success.

REIPPPP as a percentage of group total advances (%)



Managing our own carbon footprint – carbon-neutral for the last decade

13

CLIMATE
ACTION

SDG 13: Climate action

Although the impact of our operations is relatively small, we still strive to minimise the negative impacts of our operations on society while maximising the positive ones.

Reduction targets

We continue to set reduction targets to limit the impact of our own operations on the environment and in doing so, contributing to the reducing physical risks as a result of climate change. These targets clearly specify the carbon emissions and resource usage levels. We aspire to meet these targets and use them to guide our use of natural resources at group, cluster, business unit, team and individual level.

The targets are integrated into applicable performance contracts, and regular communication ensures that our employees are aware of the important role they have to play in helping limit the impact of our own operations on the environment. In assessing the achievement of our reduction targets, it is necessary to define what we measure and where this measurement is done in the group. This is outlined in the table below.

Summary of normalised GHG numbers

FTE count and occupied office space included in the report	2021	2020	2019 baseline
Total occupied floor space of reported buildings (m ²)	600 880 ¹	625 340	642 434
Employees included in FTE calculations	28 187 ²	29 206	30 931
% of all employees covered by the report	100	100	100

For the financial year ending 31 December 2021:

Methodology

The Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard (revised edition). External experts were consulted where no clear guidance or guidance applicable to SA was available³.

Inclusions

Measurement includes:

- Our South African activities, equipment and operations.
- The actions of Nedbank employees associated directly with 546 (2020: 587) South African offices and branches.
- All non-SA equipment and operations having been integrated into the greater Nedbank Group.

Exclusions

The data required for the emissions calculation is currently not available for the following:

- Scope 1 and scope 3, as they relate to offices outside of SA and where there is a lack of reliable data.
- Emissions associated with the operation and servicing of ATMs, self-service terminals and point-of-sale devices located away from a branch or office premises, and other remote devices.
- Any other premises or activities owned or operated by us, but not explicitly referenced in this report, such as Nedbank kiosks in retail stores.

³ In some cases the vendor-supplied emission factors, values agreed by experts or historic values are used. An example is the variety of values applied in the industry for the South African grid emission factor. Eskom is the main supplier to the grid. Due to the varying values and for consistency Nedbank historically used a value of 0,99 tCO₂e/MWh. For this report this value was updated to 1,02 tCO₂e/MWh, taking guidance from the 2020 Eskom annual report and using Factor 2.

Progress on reduction targets

Historically, most targets have been met and maintained before the target date. With this in mind, new targets were set using 2019 data as the new base for the 2020 to 2025 period (the previous base year was 2013). The data per FTE could be artificially low due to fewer employees being in offices as a result of the Covid-19 restrictions.

Target	2021 status
Paper³ A 40% reduction in the mass of paper used by the end of 2025 based on 2019 levels. Equates to a target of 495 tonnes of paper by the end of 2025.	Achieved target Paper consumption in the 2021 financial year was 92 tonnes of paper when compared with 424 tonnes in 2019. This is a 78,35% decrease from 2020. The target will be kept until current consumption levels can be maintained.
Water⁴ A 40% water reduction by the end of 2025 based on 2019 levels. Equates to 152 900 kℓ or 8,00 kℓ per FTE, whichever is met first.	Achieved target In 2021 the consumption level was 6,96 kℓ per FTE when compared with the 2020 consumption rate of 10,00 kℓ per FTE. The total water consumption across all our campus sites decreased by 18% to 156 261 kℓ (2020: 191 194 kℓ). We continued with our commitment to water efficiency in our operations despite fewer employees being able to use our facilities due to Covid-19 restrictions and work-from-home arrangements. The target will be kept until current consumption levels can be maintained.
Waste⁴ A 40% reduction by the end of 2025 based on 2019 levels. Equates to 110 tonnes or 5,75kg per FTE, whichever is met first.	On track In absolute terms the waste sent to landfill decreased from 116 tonnes in 2020 to 95 tonnes in 2021, which is a 17,5% reduction. This means that 3,63 kg per FTE was sent to landfill. Lower office occupancy in 2021, as well as ongoing employee awareness and education campaigns, continue to drive our achievements in terms of waste management, as does our zero-to-landfill policy. We will also be working to enhance our zero to- landfill concept, with a view to reducing, and eventually doing away with, waste to landfill. The target will be kept until current consumption levels can be maintained.
Recycling⁴ Recycling can increase only up to the point where waste sent to landfill is zero. This will be the ultimate goal and target. A new target of 2,50 to 3,00 times the mass of waste was set.	Achieved target In absolute terms the recycling decreased from 329 tonnes to 313 tonnes (3,3%). This amounts to a recycling rate of 13,93 kg per FTE. As stated above, recycling could be artificially low due to fewer employees being at the offices. To counter this, the new target is set as a ratio. Even with reduced occupancy, our onsite recycling banks have proven very effective in ensuring maximum recycling and good levels of waste sorting at the source. In 2021 about 77% of our total waste was recycled (3,3 times of the amount we recycled was sent to landfill). We continue with our rigorous recycling efforts and constantly consider increasing our use of recyclable materials.

1 Some facility consolidation took place in 2020, which resulted in fewer office locations being included in the measurement. Overall floor space decreased.

2 GHG emissions are monitored monthly and reported against monthly FTE numbers. The result is that the annual FTE number used for GHG emissions is a 12-month average.

3 The paper target is an absolute rather than an intensity reduction target, as most of our paper usage is related to client communication and regulatory requirements rather than to individual employee use.

4 Water, waste and recycling figures are based on campus FTEs.

Energy and carbon reduction target progress

Energy consumption

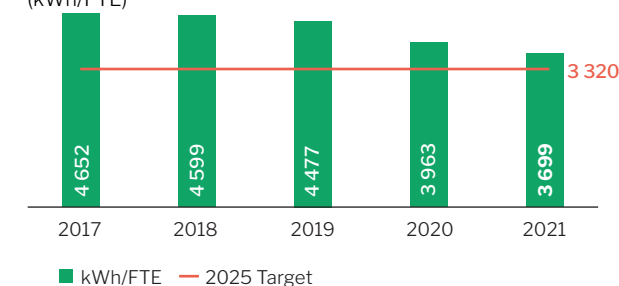
The diversification and pollution reduction of electricity use progressed well in 2021. We are proud to have further diversified our electricity sourcing and reduced Nedbank's environmental impact with the use of renewable energy, in the form of renewable-energy certificates. The result is the following summary of electricity usage.

	2021	2020	2019 baseline
Source of electricity (MWh)			
Eskom or grid	113 771	115 732	138 488
Renewable own generation (no pollution)	681	668	687
Total electricity used (MWh)	114 451	116 400	139 175
Emission factor associated with Eskom electricity (tCO₂e/MWh)	1,06	1,02	0,99
Purchased electricity pollution associated with electricity (tCO₂e)	120 597	118 047	137 103
Apply renewable energy certificates (RECs) (MWh)			
RECs (MWh) used	9 500	-	-
At the Eskom emission factor (tCO ₂ e/MWh)	1,06	1,02	0,99
Reducing electricity footprint by (tCO ₂ e)	10 070	-	-
Adjusted electricity (tCO₂e)	110 527	118 047	137 103

As discussed in the 2020 TCFD Report, only fossil-fuel-derived electricity will be included in the electricity consumption graphs below, as it is the high pollution rates of this electricity that should progressively be decreased, and renewable-energy or emission-free electricity will be exempted.

Fossil-fuel-based electricity per FTE

(kWh/FTE)



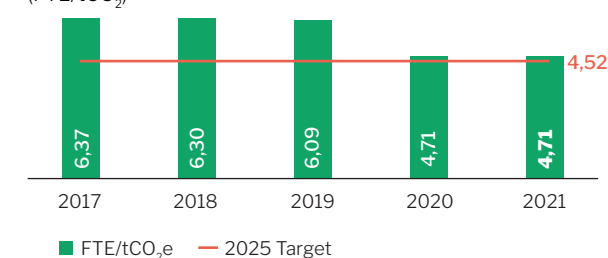
New energy target

A 30% reduction by the end of 2025 based on 2019 levels. This implies 97 000 MWh from fossil fuels or 3 320 kWh per FTE, whichever is met first.

Only fossil-fuel-derived electricity will count towards these figures, as renewable energy will be exempted from this calculation.

Emissions per FTE

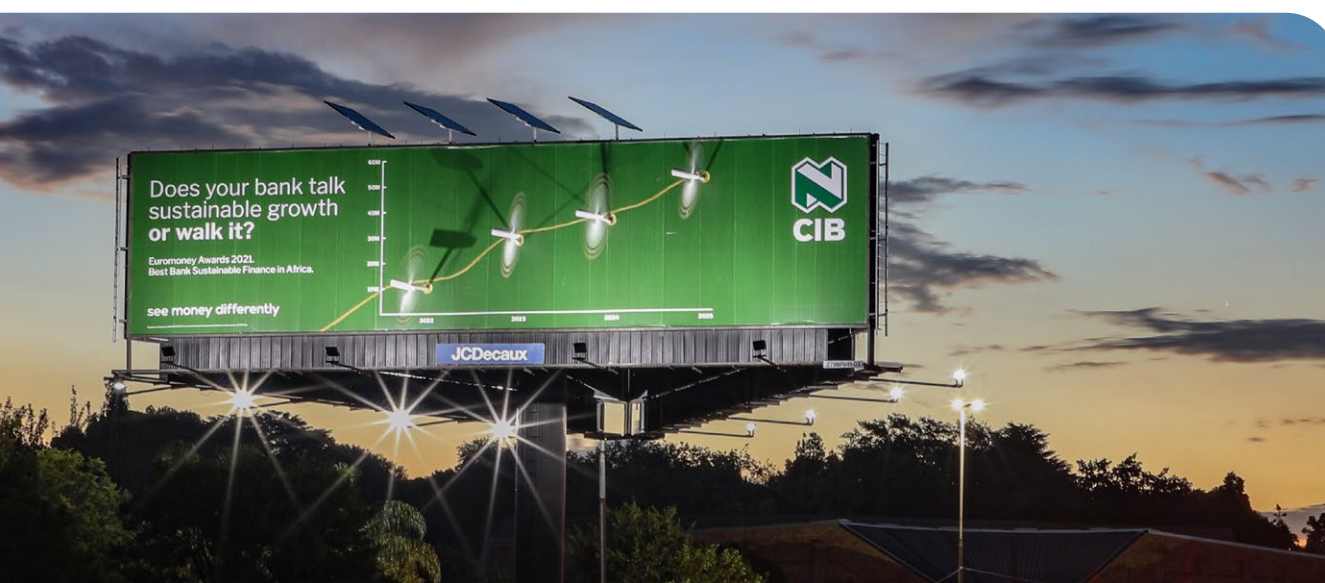
(FTE/tCO₂)



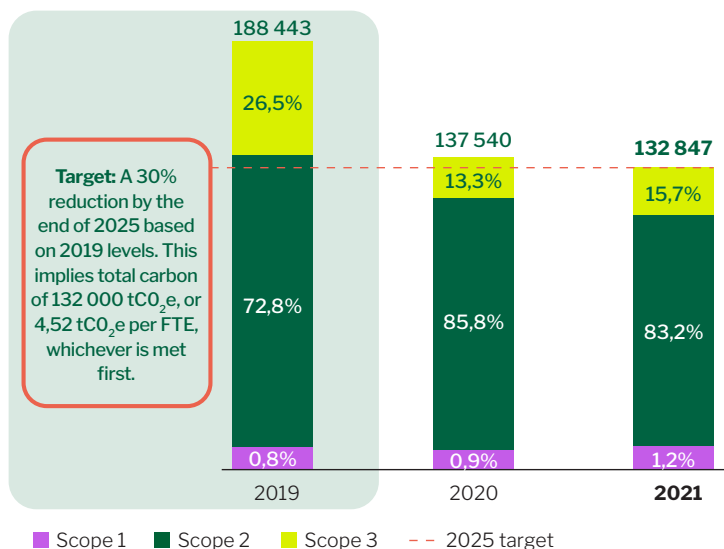
New carbon emissions (including business travel) target

A 30% reduction by the end of 2025 based on 2019 levels. This implies a total carbon of 132 000 tCO₂e, or 4,52tCO₂e per FTE, whichever is met first.

Only fossil-fuel-derived electricity will count towards these figures, as renewable energy will be exempted from this calculation.



Nedbank Group GHG emissions inventory¹ (total tCO₂e and % contribution of each scope)



¹ Total Nedbank Group FTEs were used, although only limited non-South African scope 3 emissions were included. This was due to limited data availability. Refer to Annexure E for further details on Nedbank's own Scope 1–3 emissions for 2021.

Scope 1 refers to direct emissions and includes: fuel used in equipment owned or controlled by – us (eg generators), air conditioning and refrigeration gas refills, as well as our fleet of vehicles.

Scope 2 refers to indirect emissions from purchased carbon-intensive electricity.

Scope 3 refers to indirect emissions¹ and includes: business travel in rental cars, business travel on commercial airlines, business travel in employee-owned cars, employee commuting, as well as consumption of office paper.

Carbon footprint measurement

In absolute terms our overall reported GHG emissions decreased by 3,41% from 2020 to 2021. Year-on year, the carbon emissions per FTE remained stable at 4,71 tCO₂e and emissions per square metre of office space also remained stable at 0,22 tCO₂e per square metre.

Some key points to note:

The overall carbon footprint again decreased for the 9th consecutive year under the comprehensive 2013 reporting boundary. The inclusion of externally sourced renewable energy, as RECs, is a development to expand the energy sourcing diversification and support of renewable-energy projects for own use. Nedbank includes employee commuting in the carbon footprint. This should be taken into account when doing a like-for-like comparison based on carbon footprint information.

Nedbank group GHG emissions inventory – tCO₂e

Our achievements illustrate each employee's dedication to the reduction targets.

Key performance indicators for 2021 compared to 2019 (baseline year)

Carbon emissions

Emissions per FTE

▼ by 1,38
tCO₂e to 4,71
tCO₂e per FTE

Emissions per m²

▼ by 0,07
tCO₂e per m² to
0,22 tCO₂e per m²

Emissions per operating income

▼ by 1,38
g/rand to
2,57 (g/rand)

Electricity consumption

Electricity consumption in kWh per FTE

▼ by 778
kWh/FTE to
3 699 kWh/FTE

Paper consumption

Paper usage per FTE

▼ by
0,0234
tonnes/FTE to
0,0033 tonnes/FTE



Nedbank Group GHG emissions explained

Scope 1 emissions

remained a small percentage of the overall carbon footprint, and the emissions would have been even smaller if the standby generators had not been required due to load-shedding.

Scope 2 emissions

Our energy use in the form of electricity, continued to be the predominant source of emissions in 2021, constituting about 83% of our overall carbon footprint. We continue to target reduced energy consumption through a variety of initiatives and the target set based on 2019 consumption. Please refer to the table below that setting out the sources and consumption of our electricity use. Overall fossil-fuel-based electricity consumption per FTE was reduced through the purchase of RECs. The result is that the overall high carbon-intensive energy (electricity) consumption was reduced by 6,65% yoy to 3 699 kWh per FTE (2020: 3 963 kWh per FTE) for the period under review. The major focus for future energy reduction initiatives remains on implementing the lessons learnt from our campus sites to drive similar reductions across our non-campus sites and electricity source diversification.

Scope 3 emissions

Approximately 16% of the total 2021 GHG emissions was the result of reported scope 3 activities. Scope 3 emissions showed a yoy increase mostly due to an increase in the determined employee commuting estimate, as shown in the table above. It remains to be seen if lower scope 3 pollution values can be maintained as Covid-19 restrictions are lifted or further reduced throughout 2022. As these commuting emissions are not under our direct control, they are considered separately from emissions as a direct result of our operations. Nedbank includes employee commuting in its carbon footprint, whereas most other companies exclude this component. This should be taken into account when doing a like-for-like analysis.

Our comprehensive Business Travel Policy includes green travel guidelines to ensure the most sustainable traveling practices are allowed. From 2020 the use of tele- and videoconferencing practices was vastly increased and all employees will be encouraged to use these alternatives, if practical and relevant, to face-to-face meetings that require carbon-intensive road or air travel.

A particularly drastic decrease was noted for paper consumption since 2020. Paper consumption decreased due to fewer employees being at the office to consume paper during the different stages of lockdown and the fast-tracking of more paper efficient processes, like digital contract signing. It is possible that paper consumption could increase in the future as more employees return to working from offices.

Environmental expenditure

In 2021 our overall operational investment into environmental sustainability initiatives amounted to R69,9m (2020: R59,1m). The yoy increase was in part due to the replacement of the one UPS with a more energy-efficient unit and also the replacement of lead acid batteries with lithium batteries.

Carbon accounting

As part of Nedbank's ongoing commitment and support to combating the effects of climate change, CIB, with the assistance of an independent emerging-market sustainability specialist firm, ran a pilot during 2021 to determine the financed emissions (Scope 3, Category 15: Investments, according to the GHG protocol) for the fossil fuel portfolios. The approach and methodology followed was the Global GHG Accounting & Reporting Standard for the Financial Industry published by the Partnership for Carbon Accounting Financials (PCAF) in November 2020. Nedbank believes that this standardisation to measure and disclose financed emissions will assist the bank's stakeholders to transparently understand the climate impact of the bank's lending and investment activities. We are in the process of reperforming our carbon accounting exercise and will build up trend analysis of the results and outcomes of these exercises.

Leveraging carbon neutrality

We use our carbon-neutral positioning to unlock synergies, partnerships and collaborations with like-minded organisations, and to enhance our client value proposition. These efforts are underpinned by a 'reduce first, then offset' approach. Our own carbon reduction efforts centre on internal awareness initiatives and behavioural change. Only then do we seek to offset the remaining carbon through carbon credits from African projects that have positive social and environmental benefits. While we prefer to support domestic carbon-offsetting projects that have verifiable carbon credits, these carbon-offsetting projects remain relatively scarce in SA. We participate in the carbon-offsetting projects below:

Gyapa cook stoves project in Ghana (Gold Standard Registry)

Gyapa Improved Cook Stoves in Ghana manufactures and sells efficient charcoal stoves known as Gyapa to replace inefficient baseline stoves popularly known as coal pots within Ghana. The project started with the Greater Accra and Ashanti regions and gradually moved to the rest of the country. Through this project, there will be significant reduction of GHG emissions as well as savings on the charcoal fuel, which is the main cooking fuel for families in urban and semi-urban Ghana.

The project has been in operations since 2007, and was registered under the Gold Standard on 15 June 2010 (reference number GS407). The project underwent a successful renewal of its first crediting period, which started on 16 June 2015, for the next seven years. The average life of the stove is conservatively taken as three years, although from experience and if well handled, the stove can last several years beyond the three-year lifespan. The project, first started selling stoves in Greater Accra region and expanded over the years and now covers the whole country of Ghana but with varying intensity. The project promotes stove sales and use by investing revenues from carbon finance to stove value chain investments, marketing, and the development of robust distribution channels.



The Makira forest protected area in Madagascar

(Verra Registry)

Through carbon credit sales from avoided deforestation, the Makira Forest Protected Area REDD+ Project finances the long-term conservation of one of Madagascar's most pristine remaining rainforest systems containing rare and threatened biodiversity, improving community land stewardship and governance, and supporting sustainable livelihood practices for local people.

In 2001, the Government of Madagascar, in collaboration with the Wildlife Conservation Society (WCS), created the 372 470 ha Makira Forest Protected Area. In 2012, the Makira Forest became Makira Natural Park: Madagascar's newest and largest park, and an IUCN category II protected area. The Makira Forest Protected Area Project will prevent more than 33 million tonnes of CO₂ emissions over the course of 30 years.



Gola REDD project

The Gola REDD project aims to conserve the forested areas of the Gola Rainforest National Park (GRNP). The GRNP and adjacent forests are Sierra Leone's largest remaining area of the Upper Guinea Tropical Forest, a forest type recognised as a global biodiversity hotspot (Myers et al, 2000). The area contains 60 threatened species, including eight endangered and one critically endangered species (Klop et al, 2008). Conservation actions as a direct result of the Gola REDD project will protect these species, preserve 68 515 ha of tropical forest and conserve 4 394 315 tonnes of CO₂e during the first ten years of the project, as well as provide livelihood support to the 114 impoverished communities that surround the GRNP.

Towards 2050

A large background image showing the silhouettes of several wind turbines against a vibrant sunset sky with orange and yellow hues. The turbines are positioned on the left side of the frame, with their blades extending across the middle. The right side of the image is a solid dark green color, which serves as a backdrop for the title and navigation elements.

Towards 2050



As part of our journey as a purpose-led business, we are committed to playing a leading role in addressing climate change in ways that are sensitive to the local socioeconomic context and climate vulnerability.

We intend to expand and refine our reporting continuously through our journey by ensuring that financial climate-related risks and opportunities are firmly embedded in our areas of business activities. As part of enhancing our TCFD reporting going forward, we will also focus on further developing our disclosures on metrics and targets in line with international developments taking place.

This report discloses the steps we have taken and will continue to take to identify and mitigate climate-related risks in our areas of business activities and unlock climate-related opportunities. Most notably, we have established integrated climate-related governance structures, published our Energy Policy and designed a climate risk plan to operationalise our CRMF and to support our clients as they undertake the transition journey to support a thriving, inclusive and greener economy.

Climate change is the single largest threat we are facing as a society. Its impacts are predicted to be far-reaching. Already we are beginning to observe more frequent severe weather events. Nedbank is committed to achieving the goals of the Paris Agreement, and keeping global warming well below two-degrees above pre-industrial levels by 2050. In doing this, we acknowledge that all stakeholders have to play their part.



Nedbank aims to be at the forefront of managing climate change risks and financing innovative solutions in ways that are sensitive and flexible to the specific contexts and markets in which it operates, guided by the overarching ambition of achieving net zero by 2050. At Nedbank, we see money differently. Together with our values, mission and purpose, our climate journey aims to be the difference that impacts the world.

Our climate journey for our lending activities, investment practices, and own operations is provided on the next few pages.

Nedbank Group climate journey

We are a purpose-led organisation that considers our long-term sustainability as contingent on the success of the societies in which we operate. We will play a leading role in addressing climate change in ways that are sensitive to the local context, including climate vulnerability, development imperatives and structural economic challenges.

1990

- Inception of the **WWF Nedbank Green Trust**.

2003

- First South African bank to join the **UNEP FI**.

2004

- From 2004 to 2017 Nedbank was included in the **DJWSI**. Since 2018, Nedbank has been included in the Emerging Markets Index.

2005

- First African bank to become a member of the **Equator Principles**.

2006

- Became a signatory to the **CDP** with respect to our own operations and have been a **leading performer** since.

2007

- Established the **Carbon Finance Team**.

2008

- First issued the **Climate Change Position Statement** declaring that Nedbank Group holds itself accountable to addressing climate change.

2009

- Committed to becoming operationally carbon-neutral.
- Awarded **South Africa's first Green Star rating** (four stars) for the Nedbank phase 2 head office building in Sandton.
- Established our **carbon trading desk**.
- Nedbank and Wildlife Works Inc signed an agreement on an East African carbon project – Rukinga Wildlife Sanctuary, Africa's first large carbon finance deal.

2010

- Achieved **carbon-neutral status for Nedbank own operations**.
- Group's **SEMS** is consolidated; it provides detail on the policy, procedures and workflow required to identify and assess the environmental or social impacts of investments or lending activities undertaken by Nedbank Group.

2011

- Launched **South Africa's first Green Index**.
- Member of the **NBI Advisory Committee on Climate Change**.

2012

- Nedbank Group adopted the Old Mutual Group responsible-investment standards to align with Old Mutual's commitment to the **Principles of Responsible Investment (PRI)** and **CRISA**.
- Nedbank worked with the **SARB and the National Treasury** to give effect to a policy of responsible lending.

2013

- We addressed many of the compliance requirements of being a signatory to the PRI, such as committing to the publication of our Responsible Investment Policy and Voting Guidelines on the Nedgroup Investments website.

2014

- Published the **Nedbank Carbon Footprinting Guide**.

2015

- Updated Nedbank Group's **Climate Change Position Statement** to align it with the Paris Agreement.
- Established our **Embedded Generation Unit** to finance sub-utility-scale renewable energy.
- As part of its ongoing partnership with and support of **SA farmers**, Nedbank introduced a commercial **renewable-energy finance solution**. The 2015 offering included free energy audits and longer-than-usual payback periods.

2016

- Tasked the embedded Generation Unit in 2016 with building on Nedbank's successful funding of the **REIPPPP** and offer further support for the necessary shift towards renewable energy.

2017

- **First African bank to stop providing project financing for new coal-fired power plants** – regardless of technology or country.
- Achieved **net-zero operational water use for Nedbank's own operations**.

- Became a **leader in the financing of green buildings**.
- The Nedbank Board set up a **dedicated team to mitigate the emerging water security crisis**.
- The Nedbank Wealth **Responsible Investment Committee was formed**.
- Disbursed R18,4bn for renewable deals, adding a further 2 100 MW to the national grid.

2018

- The Nedbank Sustainable Development Framework incorporates all UN SDGs that we can address impactfully through finance or our core business.
- Partnered with Aerobotics (Pty) Ltd, a disruptive technology company delivering precision farming tools through advanced analytics.
- In 2018 Nedbank closed a further **12 renewable-energy project deals under round 4 of the Department of Energy's (DOE) REIPPPP** to the value of R13bn.
- Almost R1bn of our property finance lending incorporated the installation of solar power.
- We financed R36m (2017: R24m) of transactions primarily in the photovoltaic space.

2019

- Nedbank Clocktower and Platteklouf offices received **City of Cape Town Water Star Rating certification**.
- **19 Nedbank-owned buildings awarded Green Star ratings**.
- Nedbank Renewable Energy Bond, the first such SDG-focused capital market instrument in South Africa was developed in 2019.
- First bank in South Africa to list a **renewable-energy bond on the Green Bond segment of the JSE. First green bond in South Africa**.
- Established the **CTT**, a multidisciplinary team across Nedbank.
- Established the **Climate Risk Leadership Group**, coordinated by the CRO.
- Inaugural Nedbank Wealth Asset Manager Responsible Investment Report, **assessing investment managers on ESG integration and identifying best practice**.
- Published Nedgroup Investment Responsible Investment Guidelines.

2020

- **First South African company to table climate-related resolutions – passed by its shareholders (100% votes) at the 53rd AGM, held on 22 May 2020.**
- **Achieved carbon-neutral status for our own operations for over a decade.**
- **Nedbank scored an 'A' for performance the CDP Index 2020**, which recognises environmental action taken on climate change with regard to our own operations.
- Nedbank **Lakeview phase 2 building (Roodepoort)** awarded a **five-star 'As-Built' Green Star rating**, **Nedbank Park Square (Umhlanga)** awarded a **five-star Interior Fitout Green Star rating**, **Nedbank 105 West (Sandton)** awarded a **four-star Existing Building Performance rating**, and **Nedbank George** awarded a **five-star Existing Building Performance rating**.
- **Approval of the Nedbank CRMF** by the board.
- Converted the Climate Risk Leadership Group into the **CRC, a Group Executive subcommittee**, chaired by the CRO.
- **Established the Climate Risk Unit** to manage Nedbank's climate-related risks and opportunities to augment the climate-related functions across the enterprise as described in this report.
- **Approved the Climate Risk Appetite Statement** and limits or targets as part of the Group Business Plan.
- Established a **Sustainable Finance Solutions division** to support the innovation of sustainability-linked lending and fundraising instruments.
- Launched **South Africa's first 'green' R2bn tier 2 capital instrument** in partnership with the AfDB.
- The IFC, in partnership with Nedbank, approved a **US\$200m loan for Nedbank renewable-energy investment**.
- Won the award in the Renewable Energy Bond category at the **African Banker Awards**.
- The Nedbank Renewable Energy Bond recognised as 'initiative of the year' at the inaugural **Environmental Finance Impact Awards**.
- Updated the Nedbank Wealth **Responsible Investment Policy**, formally acknowledging the UN SDGs and a 1,5°C global warming scenario in asset management.
- Nedbank signed up to a partnership with Ecologi, a social enterprise that invests in global environmental initiatives to help combat climate change.

2021

- **First GCRC** (a board subcommittee) meeting held in March 2021.
- **Response to the two climate-related resolutions** (approved in 2020), with the first stand-alone **TCFD Report** published on 22 April 2021.
- Published our **Energy Policy**.
- **Nedbank Wealth** undertook a deeper analysis of **investment fund offerings** and their exposure to climate-related risks and a 1,5°C global warming scenario.
- Disclosed the carbon emissions equivalent for the rand value funded for (1) oil (2) gas (3) thermal-coal (4) power exposure.
- **Funding of green embedded-energy generation and REIPPPs exceeds, to a considerable degree, the funding exposure to oil, thermal-coal, gas and non-renewable power generation.**
- Recognised as the **Best Bank for Sustainable Finance in Africa** by the Euromoney Awards for Excellence in July 2021.
- Nedbank awarded **overall winner for Best Sustainability Reporting, Best Climate-Related Reporting and Best in the Financials (Banking)** category at the 2021 ESG Reporting Awards.
- Nedbank Group was awarded **Best Bank for Sustainable Development in South Africa** at the 2021 Global Banking and Finance Awards.
- Nedbank CIB won Investment Bank of the Year at the Environmental Finance Impact Awards 2021 following three significant deals across housing, renewable energy and UN SDGs in 2020.
- **Nedbank, anchored by the IFC, issued a green bond of R1,09bn** listed on the JSE's Sustainability Segment to fund **Green Residential Developments in South Africa**.
- R800m lending towards **water projects** in 2021.
- 87% of Nedbank-owned buildings Green Star-rated.
- Started with the **carbon accounting** and sectoral **glidepath** projects.
- Launched positioning campaigns to demonstrate how **Nedbank truly walks sustainable growth** (versus just talking sustainable growth).
- Our own operations have been **carbon-neutral for 12 years**.
- Over the past five years: We currently have **R25bn of exposure linked to green-certified properties and those containing sustainable features**.
- The International Financial Risk Institute (IFRI) Climate Risk benchmarking coordinated by McKinsey and Company, in November 2021, was aimed at helping participating banks to identify emerging standards among their respective peer set. The survey covered 35 banks, including 17 G-SIBs, covering US\$42 trillion in total assets collectively. **Nedbank was the only bank in Africa participating in the survey. Nedbank's benchmarking results were found to be best in class and in line with peers who participated in the international survey.**

2022 and beyond

- Own operational total water consumption down by 18% yoy (39% from 2019).
- **Assist our clients and facilitate our transition to a greener economy.**
- **Continue to participate in REIPPPP financing rounds.**
- We will further our embedded generation financing to accelerate the transition and accordingly aim to achieve R2bn of financing by 2022.
- Evolve climate risk appetite setting.
- Monitor the identification and management of **physical and transition risks** that could result in **financial implications** for the group.
- Provide guidance to incorporate the **climate-risk data universe**.
- Make recommendations on climate-related risks and opportunities, and the **integration into other risk types** and related matters.
- Ensure Nedbank aligns with standard **science-based glidepaths**.
- Continue with **carbon accounting** and sectoral **glidepath** projects.
- Continue to report on actual exposure to monitor progress on full withdrawal, over time, from fossil fuel financing in line with the goal of realising a **zero-carbon energy system by 2050**.
- Continue the execution of the climate risk plan, developed in 2020, to operationalise the **CRMF across governance, strategy, risk management, and metrics and targets**.
- Disclose agreed-on aspects of climate-related disclosures in the Pillar III and integrated reporting.
- Continue to work towards receiving **four more Existing Building Green Star ratings for Nedbank Platteklouf, Lakeview phase 1 and 2 (Roodepoort), Clocktower (Cape Town) and Park Square (Umhlanga).**

2025

- **No provision of project financing for new thermal-coal mines**, regardless of jurisdiction.

2030

- **Thermal-coal funding declining to 0,5% of group total advances.**

2035

- **No advancing of any new finance for oil production**, regardless of jurisdiction.

2045

- Nedbank aims to have **zero exposure to all fossil-fuel-related activities**.

2050

- **100% of our lending and investment activity supporting a net-zero carbon economy.**





Annexures

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Annexure A



Alignment to the recommendations of the Task Force for Climate-related Financial Disclosures

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

	Recommendation	Detailed description	Nedbank's response
1st Pillar Governance 	Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	Governance: Page 16 to 17 The board has delegated the management of climate-related risks and opportunities to the GCRC, a subcommittee of the board. The board is regularly informed on the climate strategy, risk management, and metrics and targets related to climate-related matters. There is continuous upskilling of our board, management, employees and clients.
		b) Describe management's role in assessing and managing climate-related risks and opportunities.	Governance: Page 18 to 20 Nedbank Group business clusters are responsible for the assessment and management of risk and opportunities as part of the first line of defence. Senior leadership and group executives manage specific aspects of climate-related matters and manage climate holistically. The second line-of-defence responsibility for the management of climate-related risks is delegated to the CRO.
2nd Pillar Strategy 	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Strategy: Page 31 Nedbank has identified opportunities and risks over three distinct periods (short, medium and long term). We are multiplying efforts to finance renewable- and embedded-energy solutions that will accelerate socioeconomic development in concert with a planned withdrawal from fossil fuels. We are focusing on potential climate-change-related business opportunities through the lens of the UN SDGs, specifically SDGs 6, 7, 9, 11, 12 and 15.
		b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Strategy: Page 22 to 28 Nedbank has identified a variety of physical and transition risks that could result in financial impact on the group and have an impact on the overall group strategy.
		c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategy: Page 29 to 30 The following scenarios developed by the IEA were used by Nedbank for the analysis: <ul style="list-style-type: none"> • Current policies scenario (business as usual). • Stated policies scenario (incorporates policies declared today). • Sustainable-development scenario (meeting stricter sustainable-development goals). • Net-zero emissions by 2050 scenario (targeting net-zero emissions). Furthermore, additional scenario assessments were performed as discussed in the 'Strategy' and 'Risk Management' sections, and were incorporated in the ICAAP.

Annexure A

Alignment to the recommendations of the Task Force for Climate-related Financial Disclosures





	Recommendation	Detailed description	Nedbank's response
 <p>3rd Pillar Risk Management</p>	<p>Disclose how the organisation identifies, assesses and manages climate-related risks.</p>	<p>a) Describe the organisation's processes for identifying and assessing climate-related risks.</p>	<p>Risk Management: Page 35</p> <p>Climate-risks are systemic and we identified 17 key risks (including environmental risk, of which climate is a sub-risk) and we linked climate-related risks to traditional financial risk categories. We elaborated on our approach to identifying and assessing climate-related risks and climate-related opportunities.</p>
		<p>b) Describe the organisation's process for managing climate-related risks.</p>	<p>Risk Management: Page 36</p> <p>In 2020 we established our CRMF, and this year we have continued embedding the CRMF into our risk management practice and group strategy.</p> <p>SEMS is integrated in climate risk processes across CIB, RBB and Nedbank Wealth and NAR.</p> <p>Risk appetite limits and targets for climate-related risk and opportunities are set, reported and monitored.</p>
		<p>c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<p>Risk Management: Page 35</p> <p>The ERMF specifically allocates the 17 key risks (including environmental risk, of which climate is a sub-risk), across various board committees, executive management committees at group executive level and governance within business clusters, and individual functions, roles and responsibilities. Climate-related risks are systemic to all activities. Therefore, climate risk is integrated into the Nedbank risk universe. Our detailed analysis of our 17 risks can be found at www.nedbank.co.za in our 2020 TCFD Report.</p> <p>Progress was made on multiyear carbon accounting and glidepath projects.</p> <p>The data and systems project was formalised to collect data and update systems to enhance and automate climate-related risk data aggregation and risk reporting.</p>
 <p>4th Pillar Metrics and Targets</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>Metrics and Targets: Page 43 to 46</p> <p>Metrics used to assess climate-related risks:</p> <ul style="list-style-type: none"> • Nedbank own operational footprint. • Thermal-coal, upstream-oil and upstream-gas ratios. <p>We are working to enhance our approach to include forward-looking metrics, as well as financed emissions.</p>
		<p>b) Disclose scope 1, scope 2 and, if appropriate, scope 3 GHG emissions and the related risks.</p>	<p>Metrics and Targets: Page 47</p> <ul style="list-style-type: none"> • Scope 1 and 2 and operational scope 3 emissions have been disclosed. <p>We are working to enhance our approach to include forward-looking metrics, as well as financed emissions.</p>
		<p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<p>Metrics and Targets: Page 41 to 42</p> <p>Our targets are aligned with our ambitions espoused in our Energy Policy. We are gearing up to be a leading bank to help clients through the transition to a low-carbon economy.</p>

Annexure B

Stakeholder engagements

Nedbank works closely with a number of local and global industry forums. We continually ensure that the latest and best available science is utilised in our climate response. Our participation in peer, local and global industries allows us to learn, engage, network and contribute towards harmonising methodologies and frameworks and the implementation thereof. The selected examples excludes client engagements and Nedbank-sponsored climate-related industry or sector events.




Global collaboration

	2DII (2 Degrees Investing Initiative)	<p>The 2 Degrees Investing Initiative (2DII) is an independent, non-profit think tank working to align financial markets and regulations with the Paris Agreement goals. 2DII coordinates some of the world's largest research projects on sustainable finance. Its team of finance, climate, and risk experts develop research, tools, and policy insights to help financial institutions and regulators hasten and adapt to the low-carbon transition.</p>	<p>Nedbank is in partnership with 2DII. Nedbank uses/utilises the PACTA tools developed by 2DII, which measures the exposure to and alignment with a series of decarbonisation scenarios of companies and financial portfolios.</p>
	Basel Committee on Banking Supervision (BCBS)	<p>The BCBS is the primary global standard setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters. Its 45 members comprise central banks and bank supervisors from 28 jurisdictions.</p>	<p>The BCBS has published a public consultation paper on principles for the effective management and supervision of climate-related financial risks. The document forms part of the committees' holistic approach to addressing climate-related financial risks to the global banking system and aims to promote a principles-based approach to improving both banks' risk management and supervisors' practices in this area. The IIF (which Nedbank is a member of) has provided a response to the BCBS on the consultation paper.</p>
	The Institute of International Finance (IIF)	<p>The IIF is the global association of the financial industry, with more than 450 members from more than 70 countries. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth.</p>	<p>Nedbank contributes towards the following climate-related working groups:</p> <ul style="list-style-type: none"> • Sustainable Finance Working Group (SFWG). • Task Force on Scaling Voluntary Credit Markets. • Climate and ESG Disclosure, Data, and Taxonomies. • Sustainable Finance Policy.
	International Finance Corporation (IFC)	<p>The IFC, a member of the World Bank Group, advances economic development and improves the lives of people by encouraging the growth of the private sector in developing countries.</p>	<p>Nedbank makes use of credit lines from the IFC. The IFC established the Climate Risk Programme in 2008 and has done numerous climate risk pilot studies since. The lessons learned from these studies form part of the resources used in updating our CRMF. The IFC's Sustainability Framework, which includes the IFC's Performance Standards, applies to all investment and advisory clients whose projects go through IFC's initial credit review processes.</p>

Annexure B continued

Stakeholder engagements continued






Global collaboration continued

	Operational Riskdata eXchange (ORX)	<p>ORX is the largest operational-risk management association in the financial services sector. Since 2002, ORX has been developing a global community of financial institutions committed to improving the management and measurement of operational risk.</p>	<p>Nedbank actively participates in ORX, which accumulates data submitted quarterly by each of the member banks. Nedbank uses a set of anonymous operational-risk scenarios (including climate-related scenarios) from ORX to identify trends and benchmark with international peers. Climate-related items are covered in the damage-to-physical-assets, business-disruption-and-system-failure, and third-parties and supply chain scenarios. The benchmarking culminated in Nedbank improving its definition of climate's impact on operational risk and identifying exposures and potential solutions or mitigation actions as part of continuous improvement. In addition, Nedbank benchmarks itself against, and aligns to ORX's top and emerging operational risks, which include climate and natural catastrophes.</p>
	United Nations Environment Programme Finance Initiative (UNEP FI)	<p>The UNEP FI is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. UNEP FI works with more than 450 banks, insurers, and investors and over 100 supporting institutions to help create a financial sector that serves people and planet while delivering positive impacts.</p>	<p>Nedbank is an active member of the Positive Impact Initiative and working group. The Positive Impact Initiative is a collaborative movement that started in 2015 by UNEP FI member banks and investors who believed in the need to transition to an impact-based business and financing paradigm to achieve a sustainable world as defined by the SDGs.</p>
	World Wide Fund for Nature (WWF)	<p>As the world's leading conservation organisation, WWF works in nearly 100 countries. At every level, they collaborate with people around the world to develop and deliver innovative solutions that protect communities, wildlife, and the places in which they live.</p> <p>The WWF works to help local communities conserve the natural resources they depend upon; transform markets and policies toward sustainability; and protect and restore species and their habitats. Their efforts ensure that the value of nature is reflected in decision-making from a local to a global scale</p>	<p>We have been partners with the WWF for more than 30 years. One of the focus areas of the current partnership between Nedbank and WWF is safeguarding critical water source areas, biodiversity hotspots and rural livelihoods, with a strong focus on the Eastern Cape. By driving collective action, we are helping to maintain and restore the ecological integrity of these vital catchments. In addition, Nedbank is the sole funder of the WWF Nedbank Green Trust, which is a mutually beneficial partnership that supports socio-environmental projects in SA. To date the trust has helped to raise more than R300m to support over 200 diverse projects throughout SA and is becoming the biggest supporter of socio-environmental projects in SA.</p>

Annexure B continued

Stakeholder engagements continued

Local engagement

	Business Unity South Africa (BUSA)	<p>BUSA aims to ensure that organised business plays a constructive role in ensuring an economic and socioeconomic environment that is conducive to inclusive economic growth, development and economic transformation. Such an environment is critical for businesses of all sizes and in all sectors to thrive, expand and be competitive, both domestically and internationally.</p>	<p>As financier of all the industries represented at BUSA, Nedbank participates in BUSA's Environmental Committee to understand the challenges faced by the various industries in reducing their environmental and social impacts that lead to climate change.</p>
	National Business Initiative	<p>NBI is a voluntary coalition of SA and multinational companies working towards sustainable growth and development in SA and the shaping of a sustainable future through responsible business action, thereby demonstrating business action for sustainable growth. Since its inception in 1995, the NBI has made a distinct impact on, among other things, the spheres of housing delivery, crime prevention, local economic development, public sector capacity building, further education and training, schooling, public-private partnerships, energy efficiency and climate change.</p>	<p>Nedbank contributes through the National Business Initiative Advisory Committee. Nedbank remained abreast of the work undertaken by the NBI on just-transition pathways and this work helped to inform our Energy Policy.</p>
	National Treasury	<p>The National Treasury is responsible for managing SA's national government finances.</p>	<p>Nedbank is part of the Disclosure Working Group (previously known as the TCFD Working Group).</p>
	South African Reserve Bank (SARB)	<p>The Financial Sector Regulation Act, 9 of 2017, makes provision for the establishment of the prudential regulator – the Prudential Authority (PA) – within the administration of the SARB. The PA is responsible for regulating banks (commercial, mutual and cooperative banks), insurers, cooperative financial institutions, financial conglomerates and certain market infrastructures.</p>	<p>During four on-site visits by SARB PA, climate was a specific item on the agenda specifically relating to the following:</p> <ul style="list-style-type: none"> • Credit risk. • Operational risk. • ICAAP (climate risk appetite). • Nedbank's board and SARB PA annual meeting. <p>In addition, Nedbank participated in the SARB financial stability common scenario stress test and the SARB PA climate survey conducted in 2021.</p>
	The Banking Association South Africa (BASA)	<p>BASA advances the interests of the industry with its regulators, legislators and stakeholders, to make banking sustainable, profitable and better able to contribute to the social and economic development and transformation of the country.</p>	<p>Nedbank participates in the following working BASA groups:</p> <ul style="list-style-type: none"> • Gas Working Group • Sustainable Finance Committee • Climate Committee






Annexure B continued

Stakeholder engagements continued

Indices

	Carbon Disclosure Project (CDP)	CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.	Nedbank submits annual disclosures to the CDP on its emissions, strategy and risks and opportunities.
	Dow Jones Sustainability Index (DJSI)	DJSI is a family of best-in-class benchmarks for investors who have recognised that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria.	Engagement with and questions raised by the DJSI served to inform Nedbank's ongoing climate risk journey.
	Financial Times Stock Exchange Russel Group (FTSE)4Good	The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. Transparent management and clearly defined ESG criteria make FTSE4Good indices suitable tools to be used by a wide variety of market participants when creating or assessing sustainable investment products.	Questions raised by the FTSE4Good served to inform Nedbank's ongoing climate risk journey.

ESG rating agencies

	AA rating	Top 33% of global banks
	4,3 out of 5	Top 6% of global banks
	16,5 low risk	22nd out of 420 diversified banks
	C rating	Top 20% of global banks
	A- rating	Top-rated SA bank

Annexure C

Acronyms and abbreviations

2°C	Two degrees Celsius
2DII	2 Degrees Investing Initiative
1LoD	First line of defence
2LoD	Second line of defence
3LoD	Third line of defence
AfDB	African Development Bank
AGM	Annual general meeting
ALCO	Asset and Liability Committee
AR6	Sixth Assessment Report, contributed to by the IPCC Working Group I: The Physical Science Basis
AREP	African Rainbow Energy & Power Pty Ltd
AT1	Additional tier 1
ATM	Automated teller machine
BASA	Banking Association South Africa
BCBS	Basel Committee on Banking Supervision
BBBEE	Broad-based black economic empowerment
BCBS	Basel Committee on Banking Supervision
BCM	Business continuity management
BCP	Business continuity planning
BUSA	Business Unity South Africa
C	Celsius
CDP	Carbon Disclosure Project

CIB	Corporate and Investment Banking
CO₂	Carbon dioxide
CO₂e	Carbon dioxide equivalent
COP26	2021 United Nations Climate Change Conference of the Parties
COP27	2022 United Nations Climate Change Conference of the Parties
CRC	Climate Risk Committee
CRMF	Climate-related Risk Management Framework
CRO	Chief Risk Officer
CRISA	Code for Responsible Investing in South Africa
CTT	Climate Task Team
DAC	Directors' Affairs Committee
DJWSI	Dow Jones World Sustainability Index
ECC	Executive Credit Committee
ECL	Expected credit loss
EHS	Environmental, health and safety
ERMF	Enterprise wide Risk Management Framework
ESG	Environmental, social and governance
Exco	Executive Committee
FSB	Financial Stability Board
FSCA	Financial Sector Conduct Authority

FTE	Full-time employee
FTSE	Financial Times Stock Exchange Russel Group
GAC	Group Audit Committee
GBP	Green Bond Principles
GC	Group Compliance
GCC	Group Credit Committee
GCRC	Group Climate Resilience Committee
GDP	Gross domestic product
GHG	Greenhouse gas
GIA	Group Internal Audit
GORC	Group Operational Risk Committee
GLAA	Gross loans and advances
GRCMC	Group Risk and Capital Management Committee
G-SIBs	Global systemically important banks
GRNP	Gola Rainforest National Park
GtCO₂e	Gigaton carbon dioxide equivalent
GTSEC	Group Transformation, Social and Ethics Committee
ha	Hectare
ICAAP	Internal Capital Adequacy Assessment Process
ICASA	Independent Communications Authority of South Africa

Annexure C

Acronyms and abbreviations

ICE	Internal-combustion engine
ICMA	International Capital Market Association
ICMM	International Council on Mining and Metals
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIF SFWG	Institute of International Finance Sustainable Finance Working Group
IPCC	Intergovernmental Panel on Climate Change
ISSB	International Sustainability Standards Board
IUCN	International Union for Conservation of Nature
IT	Information technology
JSE	Johannesburg Stock Exchange
kℓ	Kilolitre
KPI	Key performance indicator
KRI	Key risk indicator
LEDs	Low Emissions Development Strategy
LGD	Loss-given default
LT	Long term
M&A	Merger and acquisition
MT	Medium term

MW	Megawatt
NAR	Nedbank Africa Regions
NASA	National Aeronautics and Space Administration
NBI	National Business Initiative
NDC	Nationally Determined Contribution
NGO	Non-governmental organisation
NIR	Non-interest revenue
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PV	Photovoltaic
RBB	Retail and Business Banking
RCSA	Risk and control self-assessment
REDD +	Reducing emissions from deforestation and forest degradation
Reg	Regulation
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
Remco	Group Remuneration Committee
SA	South Africa
SARB PA	South African Reserve Bank Prudential Authority

SDGs	Sustainable Development Goals
SDS	Sustainable-development scenario
SEMS	Social and Environmental Management System
SMME	Small, medium and microenterprise
ST	Short term
TCFD	Task Force on Climate-related Financial Disclosures
tCO₂e	Tonne of carbon dioxide equivalent
TCTA	Trans-Caledon Tunnel Authority
UN	United Nations
UN SDGs	United Nations Sustainable Development Goals
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
UNPRI	United Nations Principles for Responsible Investment
WCS	Wildlife Conservation Society
WWF	World Wide Fund for Nature
yoy	Year on year

Annexure D

Definitions and glossary of terms

Acute risks	Risks that are event-driven, including increased severity of extreme weather events, such as hurricanes, drought or floods.
Adaptation	<p>The process of finding ways to lower the physical risks (see definition) of climatic change and dealing with its impacts. Humans have been adapting to their environments throughout history by developing practices, cultures, and livelihoods suited to local conditions. However, climate change raises the likelihood that existing societies will experience climatic shifts (in temperature, storm frequency, flooding, and other factors) for which previous experience has not prepared them.</p> <p>Adaptation is complementary to 'Resilience'. Climate mitigation is not about reducing climatic shocks. It's about reducing the scale of climate change that we get. Adaptation is about how we deal with the climate change impacts that eventuate. In short, mitigation is avoiding the unmanageable, while adaptation is managing the unavoidable.</p>
Anthropogenic	Relating to or resulting from the activity of humans.
Carbon-neutral	When a company has calculated its carbon footprint, reduced it wherever possible, and offset its residual carbon footprint by buying emission reduction certificates so that the net result of its carbon footprint is zero.
Chronic risk	Risk that is related to longer-term shifts in climate patterns (such as sustained higher temperatures and changing rainfall patterns) that may cause a rise in sea level or chronic heat waves.
Climate change	A change in the statistical distribution of weather patterns when that change lasts for an extended period (ie decades to millions of years). Climate change may also refer to a change in average weather conditions or in the time variation of weather around longer-term average conditions. Natural climate change is caused by factors such as biotic processes, variations in solar radiation received by Earth, plate tectonics, and volcanic eruptions. However, the term 'climate change' is more often used to refer specifically to anthropogenic climate change (also known as global warming). Anthropogenic climate change is caused by human activity, as opposed to changes in climate that result from Earth's natural processes.
Climate-related opportunity	The potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can lead to opportunities for Nedbank and clients such as through resource efficiency and cost savings, the adoption and use of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates.
Climate-related risk	A potential negative impact of climate change on an organisation. Physical risks arising from climate change can be event-driven (acute), such as increased severity of extreme weather events (eg cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (eg sea level rise). Climate-related risks can also be linked with the transition (transition risk) to a lower-carbon global economy, and the most common of these risks relate to policy and legal actions, technology changes, market responses, and reputational considerations.
Climate resilience	The ability of an entity to absorb stresses caused by climate change and maintain operations, as well as to adapt in an agile manner and evolve in ways that ensure it is better prepared for future climate change impacts.
Combustion emissions	Emissions from burning material or combustion.
Fugitive emissions	Emissions of greenhouse gases that are not produced intentionally and may include gases or vapours from pressurised equipment due to leaks and other unintended or irregular releases of gases, mostly from industrial activities.




Annexure D continued

Definitions and glossary of terms continued

Greenhouse gas (GHG) emissions scope levels	<p>Scope 1: All direct greenhouse gas emissions.</p> <p>Scope 2: Indirect greenhouse gas emissions from consumption of purchased electricity, heat, or steam.</p> <p>Scope 3: Other indirect emissions not covered in scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (eg transmission and distribution losses), outsourced activities, and waste disposal.</p>
Liability risk	Means the potential for damages sought by those most impacted by climate change against those held accountable for contributing to GHG emissions. Liability risks can emerge if those responsible fail to avert or minimise physical and transition risks.
Mitigation	<p>Climate change mitigation: Means the process of addressing the root causes of climate change by preventing or reducing GHG emissions. The Intergovernmental Panel on Climate Change defines mitigation as ‘An anthropogenic intervention to reduce the sources or enhance the sinks of greenhouse gases.’ Mitigation progress is frequently driven by policy measures aimed at promoting the use of cleaner technologies and renewable-energy sources, at changing corporate disclosure practices or at motivating consumers to decarbonise. Climate mitigation is not about absorbing climatic shocks, but about reducing the scale of climate change that is experienced, by cutting and eventually eliminating GHGs.</p> <p>Risk mitigation: Means the process of taking steps to reduce the negative effects of threats and disasters on business continuity. Risk mitigation focuses on the fact that some disasters cannot be avoided and is used for those situations where a threat cannot be avoided entirely.</p>
Nedbank Group	Means Nedbank Group Limited, which is also referred to as the group.
Net-zero carbon economy	<p>Creating a balance between the amount of greenhouse gases produced and the amount of greenhouse gasses removed from the atmosphere.</p> <p>One can achieve a net-zero carbon economy when any remaining human-caused greenhouse gas emissions (GHGs) are balanced out by activities removing carbon from the atmosphere in a process known as carbon removal. First and foremost, human-caused emissions, like those from fossil-fuel production and its use in homes, transportation, farming and industry, should be reduced as close to zero as possible. Any remaining GHGs would be balanced with an equivalent amount of carbon removal, for example, by restoring forests, or sequestering carbon in soil.</p>

Annexure D continued

Definitions and glossary of terms continued

Physical risk	Risks resulting from climate change can be event-driven (acute, ie weather-related events) or longer-term shifts (chronic, ie permanent changes in underlying climate drivers). Physical risks are divided into acute risks and chronic risks. Physical risks may have financial implications for organisations (direct and indirect). Nedbank’s financial performance may be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes. This can affect an organisation’s premises, operations supply chain, transport needs and employee safety, which impacts the organisation directly or because of business practices. The associated impacts of climate-related hazards that will affect specific sectors of the economy are summarised below (not an exhaustive list):		
	Sector	Hazard	Associated impacts (not limited to)
	<div>Energy</div> <div></div>	Hurricanes/Typhoons	Downed or damaged transmission lines, substations, or poles due to wind and rain, leading to disruptions. Debris or trees damaging lines or poles, causing a short circuit.
		Water stress	Potential for energy supply disruptions from sources that rely on hydro power. Potential for overheating of generation equipment that relies on water for cooling, which could lead to transmission disruptions.
		Temperature increase	Reduced thermal rating (ie the maximum current allowed at a given temperature), causing lines to sag to dangerous levels.
	<div>Agriculture</div> <div></div>	Changes in rainfall patterns	Reduction in crop yields and feedstocks might occur.
		Temperature increase	Potential for an increase in pest infestation and disease.
	<div>Manufacturing</div> <div></div>	Drought/Floods	Productivity in water-intensive industries might be impacted adversely. Potential for an increase in water costs.
		Water stress	
Process emissions	Means emissions that include emissions from chemical transformation of raw materials, often releasing GHGs and fugitive emissions.		
Risk culture	Means the group’s norms, attitudes, and behaviours related to risk awareness, risk-taking, and risk management that shape decisions on risks.		
Risk management	Means a set of processes that are carried out by an organisation’s board and management to support the achievement of the organisation’s goals by addressing its risks and managing the combined potential impact of those risks.		
Scenario analysis	Means a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenario analysis allows an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.		
Sector	Means a segment of organisations performing similar business activities in an economy. A sector generally refers to a large segment of the economy or grouping of business types, while the term ‘industry’ is used to describe more specific groupings of organisations within a sector.		

Annexure D continued

Definitions and glossary of terms continued

Stranded asset	Means an asset that experiences unanticipated or premature write-off, is revaluated downwards, or is converted to a liability. This deterioration can result from physical (eg increasing water scarcity as a result of climate change), technological (eg emergence of disruptive technologies), social (eg shifting consumer preferences), or regulatory forces.
Strategy	Means an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, considering the risks and opportunities it faces and the environment in which it operates.
Transition risk	<p>The risks that a transition to a net-zero carbon economy poses to the financial sector arise predominantly through exposure to clients, are long-term and are specific to a sector. While some subsectors may benefit from the transition (eg renewable energies and electric vehicles) or remain unaffected, some would be strongly impacted by the transition (eg coal-fired power generation and internal-combustion-engine vehicles).</p> <p>This leaves banks exposed to loan losses through the financing of stranded (or redundant) assets in these industries as well as a result of client preferences for zero-carbon products.</p> <p>The following transition risk categories have been identified: policy and regulation risk, technology risk, market risk, reputational risk, legal risk, credit risk, operational risk and strategic risk.</p>

Annexure E

Nedbank own emissions

Nedbank group GHG emissions inventory – tCO₂e

Our achievements illustrate each employee's dedication to the reduction targets. Our achievements illustrate each employee's dedication to the reduction targets. The table below sets out further details relating to Nedbank's own scope 1, 2 and 3 emissions, and is an expansion of the diagram provided in the 'Metrics and Targets' section.

Scope	2021	2020	2019 baseline
Scope 1: Direct emissions	1 535,04	1 260,48	1 465,86
Fuel used in equipment owned or controlled by us (eg generators)	1 170,41	943,67	1 268,42
Air conditioning and refrigeration gas refills	283,57	220,87	43,89
Our fleet of vehicles	81,06	95,94	153,55
Scope 2: Indirect emissions from purchased carbon-intensive electricity	110 526,79	118 047,09	137 102,83
Total scope 1 and 2 emissions	112 061,83	119 307,57	138 568,69
Scope 3: Indirect emissions ¹	20 785,22	18 232,44	49 874,76
Business travel in rental cars	41,40	69,85	338,28
Business travel on commercial airlines	195,41	1 073,20	4 729,24
Business travel in employee-owned cars	2 054,36	2 290,21	4 429,73
Employee commuting	18 291,59	14 075,01	38 980,86
Consumption of office paper	202,43	724,17	1 396,65
Total scope 1, 2 and 3 emissions (GHG protocol)	132 847,05	137 540,01	188 443,45
Scope 1 (%)	1,16%	0,92%	0,78%
Scope 2 (%)	83,20%	85,83%	72,76%
Scope 1 and 2 (%)	84,85%	86,74%	73,53%
Scope 3 – Nedbank operations (%)	1,88%	3,02%	5,78%
Scope 3 – employee commuting (%)	13,77%	10,23%	20,69%

¹ Total Nedbank Group FTEs were used, although only limited non-South African scope 3 emissions were included. This was due to limited data availability.

Forward-looking statements

This report contains certain forward-looking statements about Nedbank Group's climate position, results, strategy, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group's joint auditors.



**Be the difference
that impacts our world**