Investec

OUT OF THE ORDINARY

Principles for Responsible Banking (PRB) reporting index

31 March 2022

Investec

The below table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. It is where we provide our response and self-assessment in relation to the principles and provide references and links to where in our existing reporting and at public domains the required information can be found

Requirements		Bank's response and self-assessment	Reporting reference
Principle 1 – Alignment			
We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.			
1.1	Business model description	Our business model is based on creating sustainable long-term value for our stakeholders. We have a wide range of products and services for our private and corporate clients, in the following client segments: • Wealth & Investment • Private Banking • Corporate and Investment Banking We operate in 2 principal geographies, namely Southern Africa and the UK. With 2 core areas of activity namely Specialist Banking and Wealth and Investment. • We have market-leading, distinctive client franchises • We provide a high level of client service enabled by comprehensive digital platforms • We are a people business backed by our Out of the Ordinary culture and entrepreneurial spirit Our continued investments drive a digitally connected ecosystem (the main pillars being digitalisation and connectivity) to leverage efficiencies and deliver enhanced value to clients and staff, across all geographies.	Investec integrated and strategic annual report 2022, page 12

1.2	Business strategy alignment	We are committed to delivering exceptional service to our clients, creating long-term value for our shareholders and contributing meaningfully to our people, communities and the planet. Our aim to make a meaningful contribution to the world we live in is at the heart of our values at Investec. Making an unselfish, contribution to society, nurturing an entrepreneurial spirit, embracing diversity, and respecting others, underpin our aim to live in, not off society.
		
		Our priority is best encapsulated in our relationship with the sustainable development goals (SDGs), where we aim to achieve the following:
		
		• Positively contribute to the SDGs
		• Operate responsibly and ethically and within the planetary boundaries
		• Partnering with our clients and philanthropy partners to maximise positive impact
		• Providing profitable, impactful and sustainable products and services
		• Actively advocating for industry alignment and best practice
		
		Addressing climate and inequality is fundamental to the success of our business. We have eight priority SDGs that is broken down to:
		
		• two impact SDGs:
		  ○ Climate action (SDG 13)
		  ○ Reduced inequalities (SDG 10),
		• supported by six core SDGs:
		  ○ SDG4; SDG6; SDG7; SDG8; SDG9; SDG11.
		
		These SDGs are globally aligned, yet locally relevant to our core geographies and reflect our growth strategy to fund a stable and sustainable economy. Our approach coordinates, assesses and reports on the Group's progress, in terms of our contribution to our priority SDGs. We believe that the SDGs provide a solid framework for us to assess, align and prioritise our activities. We do this by
			Investec integrated and strategic annual report 2022, pages 24 and 94
			
			Alignment to the Paris Agreement: Investec integrated and strategic annual report 2022, pages 100 and 150
			
			Our SDG impacts: 2022 Sustainability report, Page 14

		partnering with our clients, investors and stakeholders to support ambitious delivery of the SDGs and build a more resilient and inclusive world. We support that the Paris Agreement's aim on holding the increase of the global average temperature to well below 2°C compared to pre-industrial levels and pursuing efforts towards limiting it to 1.5°C. This is achieved through our Scope 3 financed emissions disclosure and with ambitious climate scenarios that are aligned with the Paris Agreement's 1.5°C. As a dual-listed Group, we are regulated by the South African Prudential Authority, the South African Financial Conduct Authority, the UK Prudential Regulation Authority and the UK Financial Conduct Authority, as well as other regulatory bodies. We maintain continuous engagement with governments and regulators in our key markets to ensure our business adapts to evolving regulatory environments.	

Requirements		Bank's response and self-assessment	Reporting reference
Principle 2: Impact and target setting			
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.			
2.1	Impact analysis	**Scope:** We have calculated emissions from our operations and lending activities across within our material asset classes in our core geographies. These asset classes apply across our client segments and incorporate the value chain that contributes most to their sector emissions. Deepening the integration of ESG considerations into our entire investment process, has provided sustainable investment opportunities. An example of this is our Investec Global Sustainable Equity Fund has been well received by the market with FUM of R0.7 billion at 31 March 2022.	
		Scale of exposure: Our impact analysis included the following portfolios (% of the Group loan book covered): • Energy generation (83%) • Residential and commercial real estate (87% and 94%) • Mortgages (93%) • Motor vehicle finance (87%) • Asset finance - motor vehicle fleet (98%) • Asset finance – aviation (96%) • Listed investments (92%) In line with IFC classification guidelines of ESG risk levels, 63.6% of our loan exposure is classified as low risk, 29.3% is medium risk and 7.2% is high risk. The high risk exposures can be classified as follows: • Utilities (3.3%), • Manufacturing (1.7%), • Mining (0.9%), • Agriculture (0.3%), • Construction (0.3%), • Wholesale and retail (0.2%), • Recreation (0.2%),	2022 Sustainability report, page 70

		• Transport (0.1%) • Other (0.2%) The energy lending portfolio for Investec group has limited exposures to fossil fuels resulting in 1.15% (2021: 1.13%) of Gross Credit and Counterparty Exposures (GCCE) All exposures have been calculated for each geography separately and are disclosed in addition to the Group exposures.	
		Context and relevance: We have assessed the sectors that are exposed to transition risk and the key drivers of climate transition are outlined in our TCFD report. These have been categorised as short-, medium- and long-term risk where appropriate. We have also assessed our SDG impacts on communities and our lending and investment activities, and this is outlined in our sustainability report.	2022 TCFD report, page 87 2022 Sustainability report, pages 37 to 58 and pages 79 to 103
		Scale and intensity: The scale and intensity of these significant impacts represented in our disclosures. Furthermore, we have assessed the physical risks and potential climate-related impacts within our own operations and across our Group mortgage and commercial real estate portfolios. These analyses allow us to be resilient and enables us to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions. We do this through having operational procedures in place with clear intent, coherence and appropriate resourcing. We see quality education, clean water and sanitation, affordable and clean energy, decent work and economic growth, industry and innovation, and sustainable cities and communities being our main priorities across our principal geographies, through alignment of our strategy with the UN SDG's, and reviews of several international and national frameworks, including the UN Global Compact, TCFD's, GISD and BASA working groups and committees, the King Code and ISO40001 Furthermore, we have outlined the impact of our energy sector exposure in both geographies, in terms of the nature of energy (fossil fuels vs renewables). Energy has been outlined given it is the largest proportion of high-risk exposure and given energy's vital role in economic development. We have outlined the business opportunities in line with our key SDGs. Investec has defined a sustainable finance framework based on our key SDGs that outlines the methodology and approach to support sustainable financing practices within Investec Group. Over the past financial year, we have launched and participated in several sustainable finance products and innovations that complement our impact and core SDG priorities, all of which are based on our sustainable finance framework. We have a strong focus on financing entrepreneurs who are central in accelerating job creation and supporting sustained economic growth. In terms of impact, we have highlighted some of our high impact sustainable finance products in both geographies. Our focus for the coming financial year is to quantify all transactions which fall within our sustainable finance framework to ensure accurate disclosure of all sustainable finance activities across the Group.	2022 TCFD report, page 87 and pages 89 to 92 2022 Sustainability report, pages 13 to 16 2022 Sustainability report, Pages 77 to 103 2022 Sustainability report, Page 81
2.2	Target setting	We embrace our responsibility to understand and manage our own carbon footprint through the reduction of our operational carbon footprint. The two examples of set targets related to being carbon neutral across our operations and 100% reliant on renewable energy for our operational usage. The base year for being carbon neutral across our direct operations was 2018 and no target year was set because the plan was that it would be an ongoing target and we achieved it within 2018. The base year for being 100% renewable energy in our direct operations was 2021 and it was achieved within the same year.	**Metrics and targets:** 2022 TCFD report, pages 104 to 112

		The carbon neutral and renewable energy reliance supports SDG 13 (climate action) because it directly effects energy-related CO_2 emissions that take urgent action to combat climate change and its impacts. We calculated the value at risk and disclosure results of scenario analysis/stress testing expressed in terms of earnings or value-at-risk (indication that financial implications of climate-related risk/opportunity are understood - March 2024). Our metrics and targets, as set out in our TCFD report, guide us in our journey with an aspiration to become net-zero, or more ambitiously, climate positive. Lack of transition plans within the South African power generation industries. Within the UK, there are strong net-zero commitments that act as a lever of change to shift towards a low carbon economy. The pathway suggested by PACTA is within reasonable expectations. Investec plc has also committed to zero coal exposures in the next three to five years which will put us in line to achieve the Paris Agreement goals. South Africa's low emission development strategy (LEDS) 2050 indicates energy efficiency goals towards 2050 in the commercial sector to achieve a 37% reduction in specific energy consumption (measured as gigajoule annual energy consumption per m^2 of lettable/habitable floor area). These reduction targets are not aligned with the targets suggested by SBTi. Although these suggested target reductions in the South African low emission development strategy are set, there is no policy guidance as to restrictions imposed to improve energy efficiency in commercial real estate. As such, the suggested SBTi targets within the South African context are not achievable. To mitigate the risk, Investec has provided financing for several commercial real estate buildings including the installation of the continent's largest rooftop solar PV plant on the rooftop of Cornubia Mall, KwaZulu-Natal. The implementation of the solar PV rooftop will reduce the electricity consumption from the South African power grid. The UK Government plans to achieve net-zero by 2050, setting the world's most ambitious climate change target. In June 2021, the new target was enacted into law that would reduce Scope 1 emissions by 78% which means that the UK will be more than three quarters of the way to net-zero by 2035. Commercial and residential real estate buildings should transition to low-carbon buildings by phasing out the installation and replacement of natural gas boilers by 2035. The UK's ambitious reduction targets are aligned with those proposed by the SBTi to reach net-zero by 2050. These proposed targets will be achievable if policy implementation by the government in the real estate sector is executed successfully. In addition, to assist in the reduction of emissions, we partner with our clients and finance energy efficient buildings - for example, Investec Real Estate provided a £45mn investment facility for a Grade-A office building in London.	
2.3	Plan or target implementation and monitoring	Material climate-related risk considerations are integrated into multidisciplinary, company-wide management processes throughout the Group and are managed within our credit and investment portfolios. Ultimately the DLC Social and Ethics Committee (DLC SEC) and the Group ESG Executive committee take responsibility for monitoring climate-related and sustainability (including ESG) matters. We have a Board approved risk appetite framework where significant exposures to industries that could be considered to have a higher climate or ESG risk are monitored and limited. We have analysed the value at risk relating to physical climate risk events within our real estate portfolio for Investec Limited and Investec plc. In the next year, our focus will be on the remaining portfolios with a target completion date of March 2024. We are measuring and monitoring our Scope 3 investment and lending activities with the aim towards a climate alignment	**Metrics and targets:** 2022 TCFD report, pages 104 to 112

		pathway within various industries. The major key performance indicators will be the result of our ESG ratings and rankings, mainly S&P CSA, MSCI, Sustainalytics, CDP and Dow Jones.	
2.4	Progress on implementing targets	**What are we answering for?** For each target separately: • Show that your bank has implemented the actions it had previously defined to meet the set target. • Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target. • Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures) The aforementioned targets were disclosed in our latest TCFD report, and therefore we will publish our progress against these targets in future reports.	**Metrics and targets:** 2022 TCFD report, pages 104 to 112

Requirements		Bank's response and self-assessment	Reporting reference
Principle 3 – Clients and customers			
We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.			
3.1	Policies and practices	We have several sustainability policies in place that is accessible on our website including • The way we do business • Our operational resilience statement • Our group policy and climate change statement • Our group fossil fuel policy • Our group health and safety policy • Our sustainable finance framework • Wealth & Investment ESG and Sustainability policy (South Africa) • Wealth & Investment voting and active engagement policy (South Africa) • Wealth and Investment equity ESG policy (UK) Internal policies include • Defence sector policy • Environmental and social risk practices in lending activities policy • Environmental and social risk practices in investment activities policy	• The way we do business • Our operational resilience statement • Our group policy and climate change statement • Our group fossil fuel policy • Our group health and safety policy • Our sustainable finance framework • Wealth &Investment ESG and Sustainability policy (South Africa) • Wealth & Investment voting and active engagement policy (South Africa) • Our equity and collectives ESG policy (UK)
3.2	Sustainable practices with clients and customers	We support the precautionary approach to biodiversity environmental management. We strive to minimise and prevent investing in projects or dealing with counterparties where potential and unmitigated biodiversity and environmental degradation might result. Identifying and quantifying biodiversity and environmental risk is embedded within business risk assessments and management processes. Investec UK Real Estate supports clients in achieving their climate-related and sustainability (including ESG) goals by offering sustainability-linked financing products. Although it is worth reiterating that the UK real estate lending market is yet to establish a comprehensive set of agreed parameters or quantifiable KPIs, with which to assess a building's climate-related and sustainability (including ESG) performance. We will continue to look for opportunities to fund Grade A listed buildings. We will support our clients on their net-zero ambitions through innovative sustainability-linked funding offerings.	2022 Sustainability report, page 121 2022 TCFD report, page 102

		There are several examples that show our climate action with the launching of a solar offering to our private clients in South Africa as one. Others would be R1bn green bond issuance and a $600mn sustainability-linked term loan facility under Investec Bank limited.	

Requirements		Bank's response and self-assessment	Reporting reference
Principle 4 – Stakeholders			
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.			
4.1	Stakeholder consultation, engagement and partnering	Engagement is important to us because it means we can understand stakeholder views and are able to respond in a meaningful and impactful way. We gather feedback through continuous dialogue with our stakeholders throughout the year to gain an intimate understanding of their needs. It's only through this varied dialogue that we can improve as a business, consider our strategy and deliver on our purpose. Based on stakeholder engagement over the past year, the following actions were taken: • Reviewed and updated our climate change related policies • Tabled a climate resolution at our AGM • Engaged with clients to understand the carbon intensity of their business and to support them in implementing carbon reduction targets • Automated ESG screening incorporated into the Investec plc risk management process • Disclosed our fossil fuel exposures and our exposure to climate vulnerable industries • Launched a number of ESG products and services • Deepened the ESG skills of the group Social and Ethics Committee (DLC SEC) • Strengthened our supply chain monitoring where all suppliers are screened for ESG and ethical conduct	2022 Sustainability report, pages 9 to 12

Requirements		Bank's response and self-assessment	Reporting reference
Principle 5 – Governance and culture			
We will implement our commitment to these Principles through effective governance and a culture of responsible banking			
5.1	Governance structure	Climate-related risk considerations are integrated into multidisciplinary, company-wide management processes throughout the group. Over the past year, the various Investec boards have taken a deeper role in actively engaging on various sustainability activities and opportunities. Marc Kahn, the global head of people and organisation, has assumed executive responsibility for driving sustainability across the organisation. The Board reconstituted the Social and Ethics committee (SEC), bringing in more members with relevant ESG experience. The SEC is responsible for monitoring the non-financial elements of sustainability, including the group's performance in ESG indicators, and relevance of sustainability issues across the group. This committee consists solely of independent directors. The Board has the ultimate responsibility to monitor the operations of the Group as a responsible corporate. The Board oversees Investec's response to climate change and is supported by the management teams to manage the risks and opportunities associated with climate change. At the highest governance level, the Board establishes the purpose of the Group, incorporates climate-related and sustainability (including ESG) matters when reviewing and guiding strategy and strategic aims, and monitors and oversees progress towards climate-related goals, targets, and ambitions. In addition, they consider climate-related issues when overseeing major capital expenditures, acquisitions, and divestitures.	2022 Sustainability report, pages 105 to 112 2022 TCFD report, page17 to 22
5.2	Initiatives and measures	Key climate and environmental achievements in 2021/22 • Approved membership to the Net-Zero Banking Alliance (NZBA) • Received progress updates on climate-related and sustainability (including ESG) disclosures, including the TCFDs, and reported on the Group's priorities and progress in terms of the SDGs • Reviewed and supported the Group's fossil fuel policy with the commitment to have not coal exposures in the next three to five years in the Investec plc entity • Reviewed and supported the Group's updated sustainable finance framework • Received shareholder support for the Group's commitment to the goals of the Paris Agreement, to authorise and direct the Investec Group and its directors to commit to disclose the following within our TCFD report for the year ended 31 March 2022: - The baseline of Investec Group's Scope 3 financed emissions - The Group's strategy to reduce its Scope 3 financed emissions - The Group's short-, medium-and long-term targets to reach net-zero emissions and align with the Paris Agreement goals, based on the geographical approach that is guided by (but not limited to) the net-zero trajectories of our two core jurisdictions, being South Africa and the UK.	2022 TCFD report, page 21 **Metrics and targets:** 2022 TCFD report, page 104
5.3	Governance structure for implementation of principles	The DLC Social and Ethics Committee (DLC SEC), a board appointed committee, monitors the group's application of the South African Employment Equity Act, the Broad-Based Black Economic Empowerment (BBBEE) Act and the Financial Sector Code. It also monitors our progress terms of ESG matters and advancing the UN Global Compact's ten principles with respect to business and human rights, labour, environment and anti-corruption, and our priorities in terms of the UN SDGs. The work undertaken by the committee ensures that the group is operating in an ethical, compassionate and sustainable manner. Furthermore, this group ensures the implementation of the principles.	2022 Sustainability report, pages 105 to 112 2022 TCFD report, page17 to 22

Requirements		Bank's response and self-assessment	Reporting reference
Principle 6 – Transparency and accountability			
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.			
6.1	Progress on implementing the Principles for Responsible Banking	**What are we answering for?** • Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (section 2.1-2.4). • Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice. • Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles. We have submitted our second report according to the UN PRB principles. Our Group sustainability lead, Melanie Janse Van Vuuren, is actively contributing to the curriculum and implementation around a training strategy through the development and delivery of online courses. This curriculum will cover the key areas of knowledge and understanding relating to sustainability required by staff in financial institutions, for existing and aspiring signatories of the UN PRB.	2022 Sustainability report: pages 137 2022 TCFD report, page 124