



Standard Bank Group

# CLIMATE-RELATED FINANCIAL DISCLOSURES

(TCFD ALIGNED REPORTING) 2021

Standard Bank **IT CAN BE™**

Also trading as Stanbic Bank

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## How to navigate our reports

The following icons refer readers to information across our suite of reports:



Refers readers to information elsewhere in this report.



Refers readers to information in our other reports, which are available online.

## Purpose of this report



This report provides information about how Standard Bank Group is managing the risks and responding to the opportunities presented by climate change, in line with the disclosure recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Climate-related disclosure is evolving. Companies around the world are grappling with the challenge of quantifying the financial impacts of climate change. Standard Bank is at the start of this journey. We recognise that our investors and stakeholders want to see more information about the risks and opportunities facing the business. We understand the drive to quantify the emissions generated by our client and project portfolios. At present, the limited

availability of data regarding client exposures to climate risks and the emissions generated from their operations, together with the nascent state of scenarios for African application, continues to impose limitations on our ability to undertake comprehensive quantitative assessments across our portfolios. We are, however, making progress and will continue to work towards enhancing our disclosures going forward.

## Our reporting suite

We produce a full suite of reports to cater for the diverse needs of our stakeholders.



### **Annual integrated report**

Provides an outline of our ability to create and preserve value, and guard against value erosion in the short, medium and long term.

### **Report to society**

An assessment of our social and environmental impacts in the seven areas in which we believe we have the greatest impact and opportunity.



### **Environmental, social and governance (ESG) report**

Overview of the processes and governance structures the group has in place to support our commitment to doing the right business, in the right way.



THIS REPORT

### **Climate-related financial disclosures report**

Discusses how the group is managing the risks and responding to the opportunities presented by climate change, aligned to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).



### **Standard Bank South Africa (SBSA) transformation report**

Update on our transformation journey and performance against the pillars of the Financial Sector Code.



### **Governance and remuneration report**

Discusses the group's governance approach and priorities, as well as the remuneration policy and implementation report. Includes information on how the group applies the principles of the King IV™ Report on Corporate Governance for South Africa.



### **Risk and capital management report**

Sets out the group's approach to risk management.



### **Annual financial statements**

Sets out the group's full audited annual financial statements, including the report of the group audit committee.



### **Assurance statement**

We have a series of internal policies, procedures and controls in place to ensure that accurate data is provided. Our group social and ethics committee provides oversight of this report.

PricewaterhouseCoopers Inc. (PwC) provided limited external assurance on selected performance data in this report, indicated by a ✓ in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised).

**PwC's limited assurance report can be found in our [Report to Society](#).**


\* Also known as King IV and King Code. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.



# Introduction

Standard Bank is committed to ensuring that our business strategy is consistent with and contributes to society's needs and priorities, as expressed by the UN Sustainable Development Goals (SDGs), the Paris Agreement, the AU's Agenda 2063, and sustainable banking frameworks in our countries of operation.

As part of our efforts to maximise the positive social, economic and environmental impacts arising from our business activities, and minimise negative impacts, we are working towards aligning our lending and investment portfolio with Africa's climate transition, based on Africa's fair contribution to the lower than 1.5°C by 2050 climate ambition.

In 2021, the board approved the group's  **climate policy**. We commit to achieving net zero\* carbon emissions from our own operations for newly built facilities by 2030, for existing facilities by 2040, and from our portfolio of financed

emissions by 2050. We have identified an initial set of client sectors in our lending portfolio that present significant climate risk and opportunity, namely agriculture, gas, oil and thermal coal. We have undertaken a rigorous process of research, internal consultation, and expert engagement to develop a clear understanding of risks and opportunities in each sector, and to determine appropriate targets to manage portfolio risk and maximise opportunity. Achievement of these targets is being incorporated into performance measurement for responsible executives.

\* Greenhouse gas (GHG) emissions produced are balanced by absorbing or removing an equivalent amount from the atmosphere.



## Standard Bank Group's climate journey

We believe that the financial services sector must play a central role in addressing the climate crisis facing the world today.

As reflected in our purpose: Africa is our home, we drive her growth, our future success is tied to Africa's success. We are committed to maximising opportunities for sustainable and inclusive growth across the continent, while also managing the risks posed by climate change.

### Timeline:

#### 2018

##### ESG governance and risk management


- Adopted social, economic and environmental (SEE) impact as a strategic value driver. SEE impact areas informed by UN SDGs and directly relevant to our core business
- Strengthened environmental and social (E&S) risk governance standard and policy.

#### 2019

##### ESG governance and risk management

- Expanded integration of E&S screening, management and monitoring across business and credit functions
- Expanded mandate of client risk committees to include assessment of ESG risks for new and existing client relationships
- Adopted coal-fired power finance and thermal coal mining policies
- Tabled first South Africa shareholder resolution on climate risk
- Established TCFD working group.

##### Products and services

- Established a dedicated sustainable finance business unit mandated to partner with clients to develop tailored sustainable finance solutions
- Launched  **OneFarm** as a pilot in Kasese, Uganda.

##### Thought leadership

- Founding signatory to the UN Principles for Responsible Banking (PRB)
- Co-chair of United Nations Environment Programme Finance Initiative (UNEP FI) Banking Board.

##### Market firsts

- First Green Infrastructure Bond in Nigeria (NSP-SPV PowerCorp Plc.)
- First Green Bond in East Africa (Acorn)
- First sustainability-linked loan (SLL) in Africa (Curro).

##### Awards

- Project Finance Deal of the Year by Bonds, Loans & Sukuk Africa for the Acorn Green Bond
- Local Currency Bond Deal of the Year by Bonds, Loans & Sukuk Africa for the NSP Green Bond.

#### 2020

2020

### ESG governance and risk management

- Adopted ESG governance framework, recognising ESG as separate risk type within non-financial risk and assigning clear accountability
- Expanded board and management committee mandates to include oversight of ESG risk management
- Integrated SEE metrics and ESG performance into SBG performance metrics
- Developed performance dashboard to measure progress against our SEE strategy
- Developed non-financial metrics for each of our SEE impact areas
- Developed country-led SEE strategies
- Adopted fossil fuels finance policy
- Published interim TCFD-aligned report
- Participated in the UNEPFI TCFD Pilot Programme Phase II to improve our climate risk management.

### Products and services

- Published Sustainable Bond Framework, aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and the Sustainability Bond Guidelines
- Issued inaugural USD200 million Green Bond, via private placement with IFC, the first bond issuance under our Sustainable Bond Framework, Africa's largest green bond and South Africa's first offshore green bond issuance

- Issued several pioneering sustainability-linked loans and ESG-performance incentive loans
- Offered ESG investment options through Standard Bank Isle of Man and Standard Bank Jersey, and Melville Douglas discretionary managed responsible portfolios, with a focus on renewable energy and sustainable infrastructure.

### Thought leadership

- Sponsored the African Energy Journey webinar.

### Market firsts

- First SLL in the technology, media and entertainment, and technology sector (TMT) sector (Vodacom)
- First offshore green bond in South Africa (SBSA)
- First SLL in the real estate sector (Equites).

### Awards

- Best Investment Bank for Sustainable Finance, Global Finance.

2021

### ESG governance and risk management

- Board approved the group climate policy and targets for priority sectors
- Established a group ESG risk community of practice to raise awareness of social and environmental risks and impacts across the group and provide a platform for learning and discussion
- Published our second TCFD-aligned report and our first PRB self-assessment report
- Participated in the UNEPFI TCFD Pilot Programme Phase III.

### Products and services

- Issued social bonds and a green bond, to support women's access to affordable housing and to finance renewable energy assets
- Provided 15 sustainable finance loan facilities (use of proceeds and performance-based loans)
- Arranged eight sustainable finance bonds (use of proceeds and sustainability-linked bonds)
- Provided finance for successful bidders in South Africa's Risk Mitigation Independent Power Producer Procurement (RMIPPP) and Renewable Energy Independent Power Producer Procurement (REIPPP) programmes
- Enabled ESG-linked investing through Melville Douglas Global Impact Fund.

2021



## 2021 CONTINUED

- Launched PowerPulse, providing bespoke solutions for solar PV projects, for businesses and residential property owners
- Launched [OneFarm](#) Share in South Africa
- Launched the [Green Home](#) initiative for Standard Insurance Limited clients.

### Thought leadership

- Elected to the ICMA Advisory Council, the only South African bank represented
- Delivered a climate risk and sustainability masterclass for 40 executive managers across the group, in partnership with SOAS University of London
- Launched the Sustainable Finance quarterly newsletter for clients and partners
- Hosted a Climate Change Africa Conference in partnership SOAS University of London
- Presented and facilitated panel discussions at various forums including the Africa Green Hydrogen Forum, the 3rd Green Hydrogen Webinar and the Africa Energy Indaba.

### Market firsts

- First sustainability-linked bond (SLB) in Africa (Netcare)
- First social bond on sustainability segment of the JSE (TUHF)
- First SLB in SA real estate investment trust (REIT) sector (IPF)
- First SLL in the retail sector (Woolworths).

### Awards

- Outstanding Leadership in Sustainable Bonds, Outstanding Leadership in Green Bonds and Outstanding Leadership in Social Loans at Global Finance Sustainable Finance (regional winners) Awards
- Best Pan-African Green Finance Bank at Emeafinance African Banking Awards.

## 2022

### ESG governance and risk management

- Published the group climate policy and priority sector targets
- Updated relevant SBG policies to align with the climate policy
- Joined Partnership for Carbon Accounting Financials (PCAF) and committed to applying the PCAF methodology over the next three years to measure the financed emissions of our customers
- Engaging with stakeholders on the Just Energy Transition in South Africa to inform group strategy and offering
- Establishing a transitional finance framework
- Launching a learning framework to deepen understanding of climate change impacts and sustainable finance instruments, in partnership with African and International centres of expertise.

### Awards

- Local Markets ESG & Sustainable Finance Adviser of the Year at the Bonds & Loans Africa Awards.

## Commitments to 2050

- Mobilise a cumulative amount of between R250 billion and R300 billion in sustainable finance by the end of 2026
  - This includes an additional R50 billion of financing for renewable energy power plants and underwriting of financing of a further R15 billion of renewable energy power plants by the end of 2024
  - This commitment is estimated to be 2.5 to 3 times greater than the group's financing committed to support fossil fuel-fired power plants by the end of 2024
  - Commitments are dependent on taxonomy standardisation as well as how transition finance will be treated
- Set emissions reduction targets and portfolio baselines for additional sectors
- Decrease our exposure to carbon-based fuels in line with our climate policy targets
- Achieve transition towards net zero carbon emissions from our portfolio of financed emissions by 2050.



# Governance

## Board oversight of climate-related risks and opportunities

The Standard Bank Group board has oversight of, and is ultimately accountable for the implementation of, the group's climate policy and the management of climate risks and opportunities across the group. It exercises this oversight through board committees, which meet quarterly. Committee chairs provide feedback from these meetings to the group board.



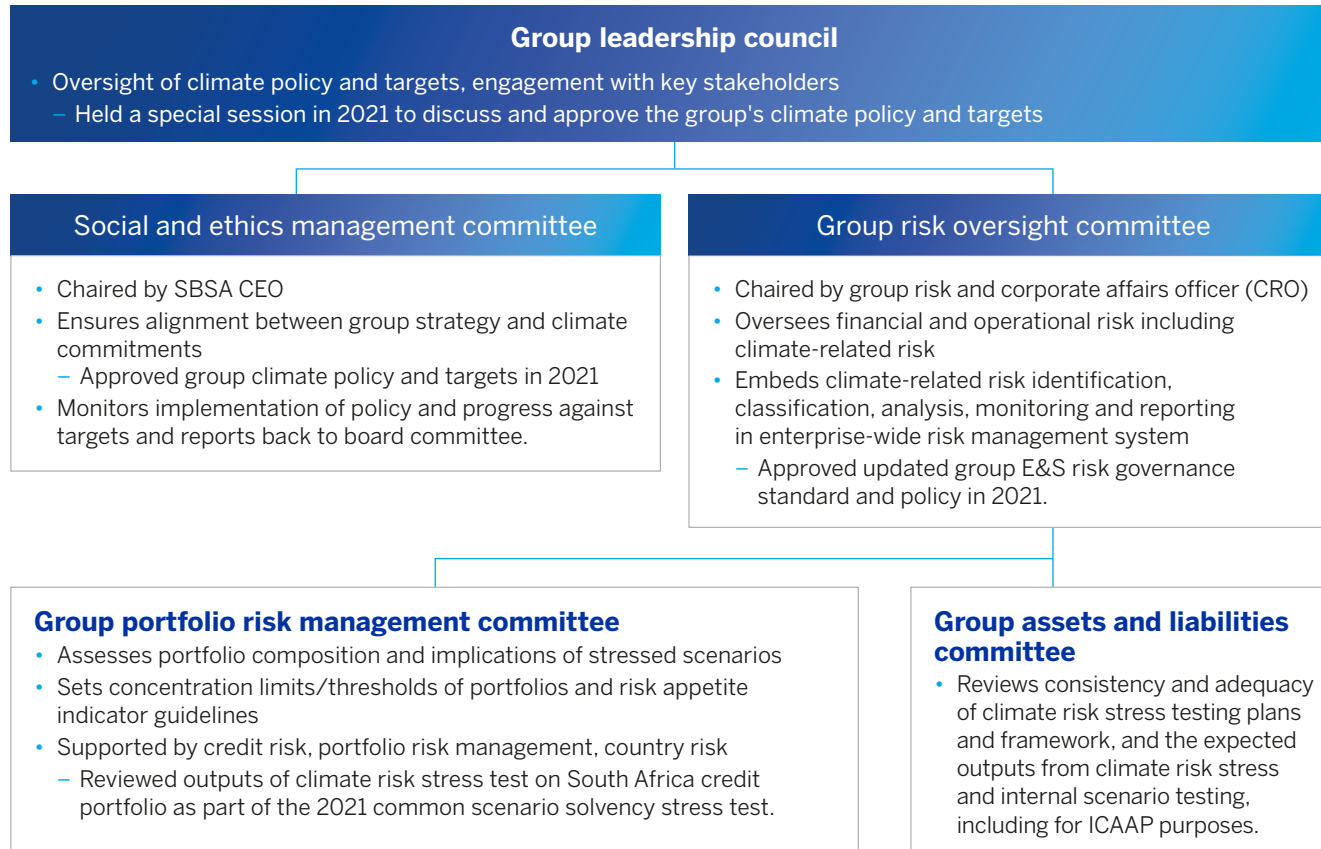
### Board upskilling

In 2021, the group board participated in several training sessions focused on climate risk. These included engagements with ESG experts from the Institute of International Finance and S&P, and regular updates on emerging policy and regulatory frameworks relevant to climate risk management. Subsidiary boards at country level also held training sessions on climate risk.

### Exercise of oversight

From 2022, the executive will report regularly to the board on progress against the group climate policy commitments and targets. The board will be kept apprised of current positions to clients, sectors and regions exposed to climate-related risks. As understanding of the group portfolio's alignment with future lower emissions pathways improves, and transition and physical risk scenarios are undertaken on the group's portfolio, more detailed and informed reporting will be provided to the board.

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



## Individual and team responsibilities

The **group chief risk officer** (CRO) has primary responsibility for management of climate risks and opportunities. The CRO reports to the executive and board.

- **Group corporate citizenship**
  - Reports to CRO
  - Responsible for developing climate risk management framework, climate policy, framework for climate targets, and TCFD reporting, in conjunction with client segments.
- **Sector heads**
  - Responsible for the achievement of sector-specific climate commitments and targets
  - Responsible for considering climate risk issues in the processes of client onboarding, regular client reviews, lending decisions, and investment
  - Work with sustainable finance team to partner with clients to develop solutions that promote positive social and environmental impacts, mitigate and adapt to climate-related risk and deliver group sustainable finance targets.
- **Group environmental and social risk (GESR)**
  - Through alignment with international best practice, including The Equator Principles, IFC Performance Standards and Sustainable Banking Principles, GESR identifies, screens and manages transactional-level environmental and social impacts associated with the group's lending activities.
- **Corporate functions**, including group risk, group compliance and group procurement
  - Responsible for development and oversight of group-wide responses to climate-related risks, including for group stress and scenario testing, risk governance framework design, and integration of climate risk management into existing enterprise-wide systems and frameworks.

During 2021, Standard Bank partnered with SOAS University of London, to deliver a 10-week executive masterclass in sustainable finance and climate change. Forty executives and senior managers participated in the programme, which included interactive lectures and discussions, delivered via Microsoft Teams. Objectives included enabling participants to deepen their understanding of climate change risks, opportunities and sustainable finance instruments, and to build their capacity to engage with stakeholders to develop practical solutions for adaptation and mitigation.

# Strategy

Standard Bank's purpose is to drive sustainable, job-creating economic growth in our countries of operation.

We support a just transition that seeks to achieve the imperative for environmental sustainability in a manner that creates decent work opportunities and social inclusion, addresses Africa's energy poverty, acknowledges Africa's negligible historical contribution to global emissions and is grounded in a science-based understanding of developments in the energy mix.

We recognise the harmful environmental impacts associated with the use of non-renewable energy, and the associated transition risk associated with doing business with companies in non-renewable energy industries. At the same time, we recognise that Africa's growing urban populations require a reliable and sustainable energy supply to power industrial production, electrify more households and expand the use of transport, to drive socioeconomic development. Further, we recognise that countries such as Nigeria, Angola, Ghana and Mozambique depend on the foreign currency and tax revenues generated from the production of oil and gas for international markets to develop their respective economies and support social development. This reality necessarily requires trade-offs to be made, as reflected in our phased approach to target setting. Our short, medium and long-term goals support our objectives to meet the urgent need for more sustainable lending, to meet Africa's energy needs and support sustainable economic growth.



We have structured our policy, strategy, assessment of risks and opportunities, and targets, according to short, medium and long-term time horizons, as defined below.



TIME HORIZONS	Short-term (0–5 years)	Medium-term (5–10 years)	Long-term (+10 years)
	<b>Start Year</b> 2022	<b>Start Year</b> 2027	<b>Start Year</b> 2033
	<b>End Year</b> 2026	<b>End Year</b> 2032	<b>End Year</b> 2050



## Developing our policy and targets

In 2021, we worked with climate experts to develop a clear understanding of our current climate risk exposure; understand the policy and regulatory environment in key Standard Bank markets; and review emerging global best practice.

On this basis, we identified the client sectors in our portfolio which we believe face the most elevated exposure to climate risk or which present the greatest potential for climate-related opportunities. As a starting point, we have identified four sectors:

- agriculture
- gas
- oil
- thermal coal

We undertook a rigorous process of research, internal consultation and expert engagement to develop a clear understanding of the risks and opportunities in each sector. We held a series of workshops with each sector, attended by the CEO of CIB, the group CRO, the head of group corporate citizenship, and sector heads and their teams, to:

- Assess likely transition pathways and risk exposures, based on the Network for Greening the Financial System (NGFS) Net Zero 2050 scenario, publicly available national research and statistics, including electricity planning forecasts where available, country Nationally Determined Contributions (NDCs), internal economic forecasts and research by credible external sources

- Develop a set of overarching climate principles, to guide climate-related decisions and support the group strategy
- Develop a target setting framework, including principles for sector level emissions targets
- Develop appropriate sector-level policy positions and commitments to manage portfolio risk and maximise opportunity
- Set climate targets, aligned with the group's commercial strategy, our commitment to achieving a just transition and our role in reducing Africa's energy poverty.

The resulting policy and targets were discussed and further refined by relevant executive management committees, including the group leadership council, the social and ethics management committee, and the group risk oversight committee.

Business is accountable for achieving climate targets within the framework of the group climate policy. The targets are being integrated into performance measurement for responsible executives, and will be included, along with other ESG factors, for consideration by the group's remuneration committee.

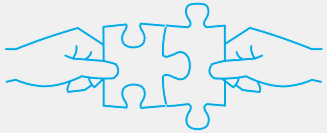
### Internal capacity building

To support broader group-wide awareness of the emerging policy framework, group risk held several climate-risk sessions with employees during 2021, raising awareness of regulatory developments, investor expectations and group commitments.

In addition, the head of group corporate citizenship convened a climate risk and TCFD working group, which includes representatives from business, group risk, group finance, group engineering, group economics, and Liberty. The working group, which meets monthly, provides a forum to share developments related to climate risk assessment, modelling, scenarios and reporting, to identify ways to enhance the group's climate disclosures and TCFD report, and to share evolving regulatory expectations and feedback from bank supervisors.

In 2022, the group will launch a learning framework to further deepen understanding of climate change impacts and sustainable finance instruments to ensure our people are well equipped to engage with our clients in developing appropriate solutions. The framework comprises four segments, differentiated by role and depth of expertise required (introductory, intermediate, advanced and specialist). Content is being developed in partnership with international and African centres of expertise.





## Collaboration and partnerships

As part of our efforts to drive successful implementation of our climate policy, we engaged with various experts in the area of climate risk management.

- We were active participants in the UNEP FI TCFD Pilot Programme Phases II and III and the UNEP FI PRB climate-target setting capability building programme.
- We participated in Banking Association South Africa (BASA) climate working groups on positive impact finance, sustainable finance, climate risk, and climate scenarios. We also participated in the BASA sustainable finance conference. We supported BASA's advocacy for the adoption of more ambitious climate targets in South Africa's NDC, including greater emission cuts by 2030, and a commitment for the country to transition to a net zero emissions by 2050.
- We hosted a climate conference for clients and employees, at which a range of internal and external experts shared their knowledge and reflections on the role of Africa's financial services sector in supporting a just transition.
- We engaged with National Treasury's sustainable finance team (South Africa), and with the South African Reserve Bank Prudential Authority Climate Think Tank (PACTT).
- We participated in the NBI Just Transition Pathways engagement process.
- 40 executives completed a customised SOAS executive programme on ESG and climate change.
- Our group chief executive is a member of the IIF Sustainable Finance Committee.





## Risk management

Africa is highly vulnerable to climate change impacts under all scenarios assessed by the Intergovernmental Panel on Climate Change (IPCC)\*. Standard Bank Group is exposed to both transition and physical climate-related risks, primarily but not limited to client-related credit risk.

Our lending exposure to clients associated with the non-renewable energy sector gives rise to client-related transition and stranded asset risks, through the potential for extensive policy, legal, technology and market related changes and costs attached to transitioning to a lower carbon operating model. We recognise that these risks in turn could impact the creditworthiness of our customers and their ability to repay outstanding exposures. Our physical risk exposure arises across the lending portfolio in all sectors, to a greater or lesser degree. It is dependent on the location of assets and businesses which we finance, and the vulnerability of those to physical hazards, accentuated by the acute and chronic effects of climate change, specific to those locations.

\* IPCC AR6 August 2021 at C.2.2. and C.2.3.

\*\* As per the NGFS net zero 2050 scenario, energy security in southern African will remain dependent on coal-fired power in the medium term; oil demand in Africa will continue to rise until 2040; gas demand in Africa will continue to rise until 2050.

## Risk identification

The risk identification matrix below sets out some of the key risk indicators we've identified, including through reference to the NGFS scenarios. These indicators have informed our climate policy and sector strategies.

Risk type	
Transition risk	
<b>Policy risk</b> <i>Medium to long-term</i>	<ul style="list-style-type: none"> <li>Uncertain long-term demand for non-renewable energy sources, especially coal, owing to regulatory changes and associated risk of stranded assets**</li> <li>Financial risk stemming from loss in value of clients' assets and collateral resulting in increased risk of client default and the non-viability of their businesses</li> <li>Increasing pressure and potential obligations to identify, measure and report emissions, including financed emissions.</li> </ul>
<b>Technology risk</b> <i>Short to medium-term</i>	<ul style="list-style-type: none"> <li>The risk that evolving technologies designed to meet the transition to a lower emissions and energy efficient future, may render the business models of some of our customers uncompetitive, leading to reduced demand for their products and services.</li> </ul>
<b>Liability risk</b> <i>Medium-term</i>	<ul style="list-style-type: none"> <li>Increased potential for climate-related litigation, driven by evolving legislative frameworks, could lead to higher third party risk (such as for settlement of claims for environmental damages), associated increase in costs and a reduced demand for products and services resulting from fines and penalties.</li> </ul>
<b>Market risk</b> <i>Short to medium-term</i>	<ul style="list-style-type: none"> <li>Changing client expectations, as clients seek greener solutions and more transparency, impacting on business opportunities</li> <li>Changing investor expectations, pressure to reduce financed emissions and improve transparency, impacting on access to capital.</li> </ul>
<b>Reputation risk</b> <i>Short-term</i>	<ul style="list-style-type: none"> <li>Arising from negative stakeholder sentiment and negative media coverage related to support of projects or activities with negative impacts on the climate, including oil and gas related infrastructure projects.</li> </ul>

Risk type	
Physical risk	
<b>Acute</b> <i>Short to medium-term</i>	<ul style="list-style-type: none"> <li>The potential for an increase in the frequency and intensity of extreme weather events driven by climate change poses a risk to our own operations and those of our customers</li> <li>Increased likelihood of more severe wildfire events, exacerbated by drier conditions, poses risk for customers in a number of sectors, particularly agriculture and real estate, where operations, infrastructure and supply chains are vulnerable</li> <li>Potential for more frequent and more intense flooding, expected in some regions, poses a significant asset destruction and earnings reduction risk to individuals and businesses in affected areas.</li> </ul>
<b>Chronic</b> <i>Medium to long-term</i>	<ul style="list-style-type: none"> <li>Changes in precipitation patterns, including declining mean precipitation in already-dry regions and extreme variability in weather patterns, presents risk for clients in the coal mining, coal-power, oil and gas sectors, impacting production capacity, and for agriculture impacting viability of traditional crops in some areas</li> <li>Rising mean temperatures impacting all sectors in terms of labour productivity and occupational health and safety, and potential risks to physical infrastructure</li> <li>Rising sea levels, risk of inundation of coastal zones and deltas creates risk for clients in coastal and low-lying regions, particularly in the real estate sector</li> <li>Risks for insurance business related to pricing changes, upward costs of claims, potential for reinsurer defaults, underestimation of exposures to higher risk geographic regions.</li> </ul>

## Opportunities

Opportunities	
<b>Products and services</b> <i>Short-term</i>	<ul style="list-style-type: none"> <li>Continue to expand our offering of sustainable finance solutions including use of proceeds and sustainability-linked instruments</li> <li>Expand green product offerings for retail clients e.g. loans for solar solutions for businesses and homeowners and partnerships, such as PowerPulse</li> <li>Expand investments in green buildings and housing developments, sustainable construction methods and materials</li> <li>Expand green product offerings for insurance clients e.g. replacement of geysers with solar geysers</li> <li>Continue to work with agriculture clients to support climate smart and sustainable agriculture*.</li> </ul>
<b>Client engagement</b> <i>Short to Medium-term</i>	<ul style="list-style-type: none"> <li>Engage a broad range of clients, across the business, on their climate transition plans and readiness</li> <li>Monitor clients' commitments as part of their transition.</li> </ul>
<b>Portfolio resilience</b> <i>Medium to long-term</i>	<ul style="list-style-type: none"> <li>Continue to increase the proportion of our energy loan book committed to green energy and decrease the proportion of finance committed to non-renewable energy. Targets to increase lending to green and transition assets and activities, using appropriate taxonomies, have been adopted.</li> </ul>
<b>Emissions reduction for own operations</b> <i>Medium-term</i>	<ul style="list-style-type: none"> <li>Work towards net zero emissions for newly built facilities by 2030 and existing facilities by 2040</li> <li>Increase use of renewable energy to meet own energy needs</li> <li>Invest in improved systems for energy metering, data capture and analysis</li> <li>Invest in energy efficiency measures including LED lighting, motion sensors, and efficient heating and air conditioning system across infrastructure</li> <li>Implement renewable power purchase agreements.</li> </ul>
<b>Stakeholder engagement</b>	<ul style="list-style-type: none"> <li>Continue to engage with regulators, climate risk experts, trade associations, civil society organisations and others towards developing solutions to climate risk challenges, improving understanding and reporting of climate-related financial risks and identifying opportunities to support a just transition.</li> </ul>

\* Please see [SBG's Report to Society](#) for more information on these and related products and services.

## Sectors with elevated climate-risk exposures

Standard Bank has adopted a phased and progressive approach to understanding our climate risk exposures and setting appropriate targets to reduce exposure and maximise opportunity. We have identified four sectors that have elevated levels of climate risk, and have developed risk management strategies in respect of each of these.

### Agriculture



The NGFS Net Zero 2050 scenario shows agricultural demand in Africa increasing by approximately 80% by 2050. Agriculture contributes to GHG emissions, but also has the potential to support carbon sequestration. The sector provides food security and employment for a large proportion of middle- and lower-income households.

#### SBG strategy

- No finance for:
  - Deforestation of natural forests and indigenous trees, excluding de-bushing in farming blocks where grazing and cropping will have a positive impact
  - Production or trade in wood and other non-indigenous forestry products other than from sustainably managed forests
  - Unsustainable fishing methods as defined by the FAO\*.
- Support clients in their transition to more sustainable agriculture^ by:
  - Leveraging the expertise of specialist agriculture advisors
  - Formalising an approach to assist clients to maximise opportunities in renewable energy, climate-smart agriculture#+, and digital platforms to assist small-holder farmers
- Encouraging sustainable agricultural practices through the introduction of sustainable lending products
- Engaging at the sector level with other banks and leading sector bodies to establish a national climate pathway for the sector, to ensure that it moves forward towards shared goals
- Collecting data to enable the group to set an emissions reduction target and portfolio baseline between 2022 and 2025 that will meaningfully contribute to the group's net zero 2050 target, through partnerships with research groups and industry experts.

\* As defined by the United Nations Food and Agriculture Organization (FAO): <https://www.fao.org/3/i1490e/i1490E.pdf>

^ Sustainable agriculture comprises all those farming systems that conserve land, water and biological resources, do not degrade the environment and are technologically appropriate, economically viable and socially acceptable.

# The UN Food and Agriculture Organization suggests that CSA aims to enhance the capacity of agricultural systems to support food security, incorporating the need for adaptation and the potential for migration into sustainable agriculture development strategies.

+ <https://www.profor.info/notes/climate-smart-agriculture-south-africa>

According to the Program on Forests (PROFOR), CSA seeks to increase sustainable productivity, strengthen farmers' resilience, reduce agriculture's GHG emissions, and increase carbon sequestration.



## Gas

The NGFS Net Zero 2050 scenario forecasts gas demand continuing to rise to 2050. SBG views gas as a transition fuel<sup>^</sup> in Africa. Development of Africa's gas reserves will help to balance economic development and social upliftment with emissions reduction, by facilitating the switch from higher emitting energy sources such as wood and coal, to lower-carbon fuels, such as liquefied petroleum gas (LPG) for cooking and natural gas for the provision of baseload energy. Standard Bank Group will continue to finance gas responsibly as a transition fuel for use in the domestic and regional markets and as a means of facilitating natural gas for export. The group will seek to reduce emissions intensity while managing its gas exposure. This commitment to gas financing is informed by emissions and development plans of SBG's key markets and by the pathways for Africa supporting global targets of 1.5°C.

### SBG strategy

- Continue to finance gas responsibly over the medium to long term as a transition fuel for use in domestic and regional markets as well as a means of facilitating natural gas for export. SBG will review this financing regularly, informed by all material industry technological developments, including lower emission possibilities, competitive alternative energy sources and carriers
- Finance gas-related projects that have zero to minimal fugitive emissions or that are committed to a pathway that reduces the carbon intensity of liquefied natural gas (LNG) plants
- Prioritise finance for the construction of gas-fired power plants when:
  - Providing support services as part of an integrated renewable energy power solution, or
  - Converting existing coal- or oil-fired power plants as part

of a clearly defined decarbonisation plan aligned to net zero by 2050

- Subject the financing of standalone gas-fired power plants providing general baseload, mid-merit or peaking power (i.e. not meeting the above priority criteria) to a maximum financing cap (see targets)
- Reduce exposure to gas by 2045, in line with our commitment to net zero by 2050, while giving due consideration to the energy security of the markets in which the group operates\*
- Develop a transition finance product framework that will support the use of gas in its specific role as a transition fuel in Africa.

Financing will be reviewed regularly, informed by all material technological developments, in terms of lower emission possibilities, competitive alternative energy sources and carriers.



## Oil

The NGFS Net Zero 2050 scenario shows oil demand in Africa peaking in 2040. SBG is reducing its financed emissions intensity while responsibly managing its exposure to oil, specifically where there is an energy transition roadmap that supports the development of cleaner fuels, such as gas.

### SBG strategy

- Reduce group advances to upstream oil by 5% by 2030. Reviewed thereafter in line with oil's contribution to the overall energy mix
- No finance for companies with unrestricted flaring for new assets. From existing clients with flaring, seek timebound plans to eliminate flaring for existing assets
- No finance for the extraction of tar sands or construction of associated export facilities, exploration and production of tight oil resources, and pipelines transporting a significant volume of tight oil and export terminals supplied by a significant volume of tight oil

- No finance for new oil-fired power plant construction or expansion in the generating capacity of existing oil-fired power plants, except where such plants provide support services as part of integrated renewable energy power plants
- Reduce financing to power sector clients generating power predominantly from\*\* oil (see targets). Such clients will be required to provide comprehensive carbon emission reduction strategies in advance.

This strategy will be periodically reviewed to assess progress against targets and alignment to net zero by 2050.

<sup>^</sup> A substitute lower-carbon content fuel for higher carbon content fossil fuel (for example, coal and oil) to reduce carbon emissions in line with the energy transition and the overarching objective of achieving net zero by 2050.

\* The restrictions defined in our policy exclude financing provided to clients for the explicit purpose of converting existing oil-fired power plants to gas in line with a clearly defined decarbonisation plan to net zero by 2050; or for the explicit purpose of implementing carbon capture, use or storage technology in line with a clearly defined decarbonisation plan to net zero by 2050; or when providing a support service as part of an integrated renewable energy power solution.

\*\* 'Predominantly from' refers to clients where generation from coal or oil makes up more than 50% of their dispatchable generation capacity



### Thermal Coal

The NGFS Net Zero 2050 scenario anticipates a reduction in the share of coal as a primary energy source in Africa overall from 13% in 2021 to 8% by 2030 and 2% by 2050. The scenario projects a more significant role for coal in southern Africa, where its share is expected to decline from 45% in 2020 to 32% in 2030, 15% in 2040, and 9% in 2050. South Africa's 2019 Integrated Resource Plan# forecasts that reliance on coal for electricity capacity will fall from 71% 2019 to 43% in 2030. Energy security in the southern African region will remain dependent on coal-fired power in the medium term.\*

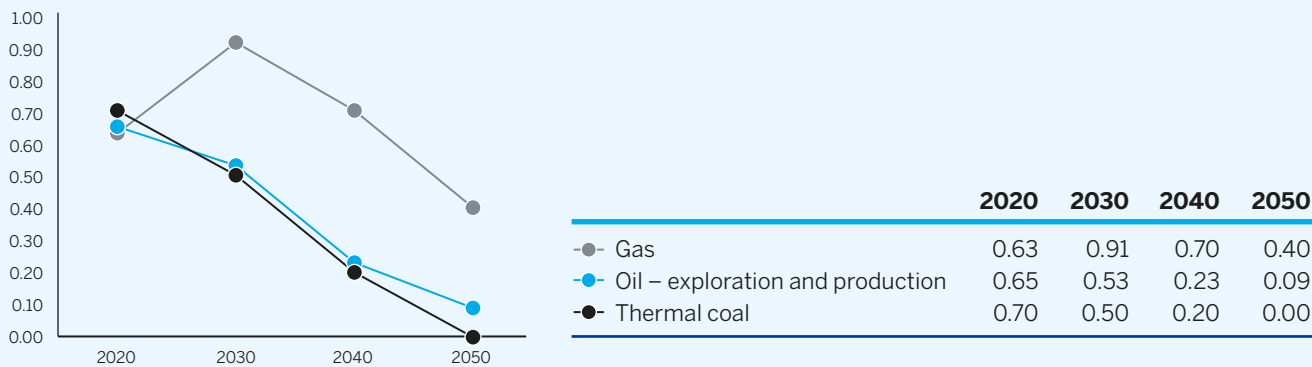
### SBG strategy

- Finance new coal mines only when there is an overall positive environmental impact, for example where a proposed mine:
  - is located next to an existing coal-fired power station and therefore reduces emissions generated by fuel transportation; or
  - provides higher-quality coal producing lower emissions with a higher calorific content or lower ash than existing mines
- Restrictions to companies that derive more than 50% of their revenues from thermal coal mining activities. These restrictions do not apply to activities that positively enhance E&S impacts, such as decentralised renewable energy projects, water treatment/efficiency, or social initiatives that uplift the communities in which such companies operate
- Reduce thermal coal exposures (see targets)
- No finance for construction of new coal-fired power plants nor the expansion in generating capacity of existing coal-fired power plants
- Reduce financing to power sector clients generating power predominantly from coal (see targets). Such clients will be required to provide comprehensive carbon emission reduction strategies in advance of financing. These strategies will be periodically reviewed to assess progress against targets and alignment to net zero by 2050
- Support refurbishment of existing coal-fired power stations that has the specific purpose of improving efficiency and reducing carbon emissions using carbon capture, utilisation and storage technology. This refurbishment should form part of a clearly defined decarbonisation plan, aligned to net zero by 2050.

# <http://www.energy.gov.za/IRP/irp-2019.html>

\* See for example: <https://www.nbi.org.za/wp-content/uploads/2021/08/NBI-Transition-Chapter-Decarbonising-SA-power-11-Aug-2021.pdf>

% OF ASSET BOOK (LOANS AND ADVANCES)





## Additional sectors in 2022

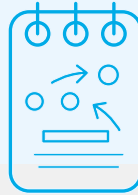
We will undertake in-depth analysis and target setting for additional sectors going forward. Over the next two to three years, climate targets and commitments will be set for additional sectors including insurance, residential and commercial property, and transportation.

We will review our climate policy on a regular basis, taking into consideration technological changes, policy and regulatory changes and developments in climate science. Progress will be reviewed on an annual basis, and targets and commitments on a three-year cycle.

## Integration into overall risk management

We treat climate risk as a component of ESG risk. It is governed under the ESG risk governance framework and embedded within our wider enterprise-wide risk management system. This is described in detail in our [ESG Report](#). At a transactional level, we have begun to factor in the impact of climate-related physical risks on the assets and operations underlying a transaction, together with the transition risks faced by counterparties, operations and assets.

We joined the PCAF in early 2022. We commit to applying the PCAF methodology over the next three years to measure our clients' financed emissions.



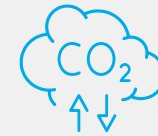
## Scenario analysis

We continue to develop our understanding of the application of generally accepted emissions scenarios. We are significantly dependent on the development of standardised metrics and an associated taxonomy, together with the provision of reliable and relevant climate-related risk information from our clients. Availability of and access to this information remains in a nascent stage in our countries of operation. Our assessment and reporting process will evolve over time, as this information becomes more accessible.

While multiple scenarios chart the net zero pathway globally, only the NGFS Net Zero 2050 GCAM scenario breaks this down by African regions. We referred to this scenario, together with NGFS 2050 Message and NGFS 2050 Remind, to assess the likely impact of climate-related and environmental risks at a sector level, and to develop targets towards achieving Paris Agreement alignment.

GCAM assumes that most African regions will decarbonise faster than the global average, driven by transition from biomass-fuelled energy, which over 80% of sub-Saharan African households currently use for cooking. To achieve net zero 2050 under this scenario, biomass needs to be significantly reduced.

### Under this scenario



- North Africa continues to have high emissions in 2050 due to dependence on oil and gas for energy production. 59% of energy produced in northern Africa in 2050 comes from oil and gas (global average in 2050 is 35%).



- Land covered by forest remains relatively stable across regions in Africa, in line with the global trend, although northern and eastern Africa see a decline in forest cover under the scenario.



- Assumes significant use of carbon sequestration in the nearer term.

## Lessons from climate-related stress testing

### South African Reserve Bank common scenario stress test

- Process:** The South African Reserve Bank (SARB) included climate risk in its 2021 common scenario stress test exercise for the first time. The stress test took the form of:
  - A qualitative assessment for transition risk – including identification of financial risks from exposure to clients and sectors with high transition risk impacts, and potential opportunities for partnering with clients in their transition risk mitigation efforts.
  - A quantitative analysis for physical risk – potential financial impact of a three-year drought on the SA banking portfolio. Our approach included screening the portfolio to rate sectors' vulnerability to drought and developing a heat map of relative sensitivity scores on a scale of 1 to 4. Considerations included the extent of the sector's dependence on water resources, the potential for supply chain impacts of prolonged water resource shortages and the probability of adverse service delivery impacts accentuated by water shortages. Analysis was performed on a 'pre-mitigation' level, ignoring management actions to combat the drought.
- Challenges:** We had to rely on expert judgement informed by SBG business managers, supplemented by SBG climate-risk research expertise and global best practice, to assign a drought sensitivity rating, indicating a vulnerability grade for each sector relative to other sectors in the portfolio.

### Outcomes:

Summarised sector heatmap of SBSA banking book portfolio rated by sensitivity to drought

SBSA banking book portfolio (2021)	Average drought sensitivity rating (1: Low, 4: High)	% of total SBSA banking book portfolio
Government and public services	3.50	9.82%
Agriculture, forestry and fishing	3.07	2.25%
Electricity, gas and water supply	3.00	2.00%
Manufacturing	2.38	4.94%
Construction	2.50	1.08%
Private households	2.50	39.54%
Mining and metals	2.00	2.36%
Real estate	1.50	12.22%
Trade, transport and financial institutions	1.00	25.02%
Not related	–	0.77%

- On the understanding that the financial impact of drought is one of many factors driving changes in probability of default (PD), we used actual average movements in PD scores for agriculture sector counterparties, during and after a historical and comparable drought period. This analysis informed our estimation of the average movement in PDs that could, in part, be ascribed to the effects of drought. This average was considered for each year of the three-year scenario period to estimate 'drought-related PD adjustment factors', which we applied to each sector in the portfolio. Higher adjustment factors, suggesting more sensitivity to lower-than-average rainfalls, were assigned to sectors with higher vulnerability ratings from our heatmapping exercise. These derived drought-adjusted sector PDs informed our estimations of potential add-on credit impairments under the scenario.
- Way forward:** The exercise provided the group with the opportunity to trial potential methodologies particularly for physical risk testing, which we expect to further refine for future regulatory financial resilience assessments, as well as for our internal portfolio scenario and stress testing purposes.

### Stress testing the insurance business

- Process:** The group also applied climate stress testing to our insurance business during 2021. Standard Insurance Limited (SIL) undertook a climate change stress test informed by outcomes of the risk and control self-assessment processes. We focused on the impact of two mini extreme weather catastrophes in each of the three largest provinces, considering assumptions pertaining to changes in inflation, operational costs, insurance costs, and persistency.
- Challenges:** Given the limited availability of forward-looking climate change data, we relied on historical data sets.
- Outcomes:** The results of the stress testing reflected no material gaps. The results and recommended actions to enhance future stress testing were presented as part of risk and capital management processes to the relevant board committees in 2021.
- Way forward:** The business intends to enhance stress testing capability by expanding the scope of the exercise to include transition risk and second-order impacts.

# Metrics and targets

## Opportunity exposure

Product type	Product description	Relevant standard <sup>^</sup>	Total Rm 2021 <sup>#</sup>
Loan	Green, social, sustainability-linked loans	LMA Principles*	R16.2 billion
Bond	Green, social, sustainability-linked bonds	ICMA Principles**	R5.8 billion

\* Loan Market Association Green Loan Principles, Social Loan Principles and Sustainability-linked Loan Principles (<https://www.lma.eu.com/sustainable-lending>)

\*\* International Capital Market Green Bond Principles, Social Bond Principles, Sustainability-linked Bond Principles, Sustainable Bond Guidelines (<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>)

## Exposures to carbon-related assets

The metrics disclosed here reflect December 2021 group credit exposure concentrations to carbon-related assets identified and measured to date, which we consider to be sensitive to elevated levels of climate risks, or where we have identified opportunities for mitigation of non-renewable related energy emissions. In identifying these metrics, we have applied the TCFD's recommendations for what 'carbon-related assets' are, namely exposures linked to the energy and utilities sectors that are associated with higher relative direct or indirect GHG emissions and related transition risk.

The metrics are stated for the latest and comparative financial periods in both absolute monetary values and concentration percentages of the total group banking book. Each sector has been assigned our estimation of its relative sensitivity to both transition and physical risk, relative to other sectors in the group portfolio. The values disclosed represent on- and off- balance sheet lending exposures to the sectors concerned. On balance sheet exposure values are a group banking book aggregation of gross loans and advances

to customers (before deduction of impairments, effects of hedging, collateral and risk transfers). Trading book exposures are excluded. Off-balance sheet exposure values are an aggregation of loan commitments (including all contractual unused limits of facilities and other commitments to extend credit), and guarantees and letters of credit. All metrics are expressed as a percentage of total banking book on-balance sheet loans and advances gross of impairments, plus off-balance sheet loan commitments at 31 December 2021, totaling R1 921 881 million (2020 equivalent R1 718 290 million).

In due course, we aim to measure these risks using the TCFD's preferred methodology of disclosing the emissions financed as measured using the recommended Global GHG Accounting and Reporting Standard for the Financial Industry, as developed by PCAF. Our recent commitment to PCAF is the start of the process for aligning with this recommendation.

### Sectors with elevated climate-related risks

The exposures disclosed have been aggregated into sector and industry groupings using the group's internal industry classifications (including the International Standard Industrial Classification (ISIC) system) as well as with extensive input from internal subject matter experts. The process of further refining our data and aligning the classification of exposures to best fit the underlying vulnerabilities of our lending counterparties to climate-related risks remains a priority. Going forward, we will update our climate policy to include additional sectors, and will expand these metrics to include other carbon-related assets in our portfolio.

**SECTORS IN THE GROUP CREDIT PORTFOLIO WITH ELEVATED LEVELS OF CLIMATE-RELATED RISKS AND OPPORTUNITIES**

as at 31 December 2021

Note	2021 Rm	2021 Rm	2021 Rm	2021 %	2020 Rm	2020 Rm	2020 Rm	2020 %	Transition risk	Physical risk	
	On Balance Sheet	Off Balance Sheet	Total	%	On Balance Sheet	Off Balance Sheet	Total	%			
<b>Exposures to climate-related opportunities</b>											
<b>Renewable power generation</b>	1	11 574	1 475	13 049	0.68%	12 004	1 824	13 828	0.80%	Low	Moderate
<b>Exposures to carbon-related assets</b>											
<b>Non-renewable power generation</b>		5 075	1 912	6 987	0.36%	4 697	1 338	6 035	0.35%	High	Moderate
Coal-fired power generation	2	1 668	1 795	3 463	0.18%	1 830	901	2 731	0.16%	High	Moderate
Oil-fired power generation	3	783	98	881	0.05%	806	177	983	0.06%	High	Moderate
Gas-fired power generation	4	2 624	19	2 643	0.14%	2 062	260	2 322	0.14%	High	Moderate
<b>Coal mining (extractors)</b>	5	3 398	3 365	6 763	0.35%	5 068	2 632	7 700	0.45%	High	Moderate
<b>Total oil and gas</b>	6	42 763	33 316	76 080	3.96%	31 020	25 436	56 457	3.29%	High	Moderate
<b>Oil and gas</b>	7	27 594	19 667	47 261	2.46%	20 232	21 262	41 494	2.41%	High	Moderate
Oil and gas (integrated)		5 874	3 250	9 124	0.47%	3 211	9 075	12 286	0.72%	High	Moderate
Oil and gas (services)		2 491	4 415	6 906	0.36%	1 474	3 702	5 176	0.30%	High	Moderate
Oil and gas (trading and retail)		19 229	12 002	31 231	1.63%	15 547	8 484	24 031	1.40%	High	Moderate
<b>Oil</b>	8	12 833	3 152	15 985	0.83%	10 143	2 221	12 364	0.72%	High	Moderate
Oil (exploration and production)		11 692	2 921	14 613	0.76%	8 669	1 743	10 412	0.61%	High	Moderate
Oil (midstream)		1 141	231	1 372	0.07%	1 474	478	1 952	0.11%	High	Moderate
<b>Gas</b>	9	2 337	10 497	12 834	0.67%	645	1 954	2 599	0.15%	High	Moderate
Gas (midstream)		2 337	10 497	12 834	0.67%	645	1 954	2 599	0.15%	High	Moderate
<b>Agriculture</b>	10	52 329	17 476	69 805	3.63%	48 340	14 864	63 204	3.68%	Moderate	High

**Notes**

- Solar, wind, hydropower, geothermal and biomass power generation utilities and IPPs. The decline year-on-year is due to existing facilities amortising and expected new RMIPP and REIPP deals in 2021 taking additional time to conclude.
- Power utilities that own and operate coal-fired power plants. The increase in 2021 is due to additional credit granted for refurbishment of an existing unit in Zimbabwe, which will improve the unit's efficiency, reduce its carbon intensity, and improve reliability to support energy security, as the country develops and implements its renewables programme.
- Power utilities that own and operate oil-fired power plants. Annual decline in concentration is in line with forecasts and the climate policy.

- Power utilities that own and operate gas-fired power plants. While the concentration has not moved from prior year, supporting gas-fired power stations is in line with the climate policy's acceptance of gas as a transition fuel.
- Owners and operators of thermal coal extractive assets excluding bulk commodity and diversified mining counterparties that may have coal extractive assets and excluding suppliers and contractors that operate in the coal extractive sector.
- In 2021 we refined customer classifications in the oil and gas sector, to support long-term monitoring of climate policy commitments.

- Increase in concentration is driven by restructuring within the oil and gas sector by multi-national oil majors and state owned entities as part of their transition plans.
- The increase is primarily due to data refining and reclassification of counterparties to more accurately reflect the nature of their activities in the sector and to enable future monitoring against the climate policy.
- Increase in off balance sheet exposure is due to guarantees issued to finance new ownership of existing midstream and gas infrastructure.
- Primary agriculture, agri processors, commodity traders, sugar and other commodities, forestry and related commodity services.

## GHG emissions arising from the group's operations

Our direct impacts arise mainly from energy use at our office and branch infrastructure, cash and data centres, and to a lesser extent, from water use, waste generation at these buildings and employee travel. The energy used to keep our infrastructure operational is mainly sourced from the national electricity grids of the countries in which the group operates. In consequence, our carbon emissions reflect these countries' current reliance on coal-fired power. Additionally, the group uses diesel generators to provide emergency power with an associated impact on emissions. As countries across Africa transition away from coal power, our direct emissions will reduce.

Our primary focus for the reduction of direct emissions is in South Africa, which accounts for our largest physical presence. We estimate that our South African operations constitute approximately 75% of our scope 1, 2 and 3 operational emissions.

The collection and analysis of accurate and comprehensive scope 1 and 2 data across our multiple countries of operation remains a challenge for the group. We have identified the need to improve metering, data capture and analysis systems in our countries outside South Africa. This will enable us to better track usage and determine appropriate yearly reduction targets for each of our countries of operation. As a starting point, we have selected five additional African countries for immediate focus, based on the materiality of their emissions to the group total. Materiality was determined based on the physical size of the portfolio in-country and the grid emission factor per country. We are currently collecting data manually at key facilities in these five countries, to enable us to model a baseline for setting targets and monitoring progress. The data presented in the following table is specific to our operations in South Africa.



GHG emissions inventory – tCO <sub>2</sub> e (tonnes)	2021	2020	2019	2018
<b>Scope 1: Direct emissions (from owned or controlled sources)</b>	<b>7 660</b>	<b>8 463</b>	<b>9 224</b>	<b>10 215</b>
Diesel generators	1 769	1 491	1 900	1 153
Fleet vehicles	868	802	1 600	1 969
Natural gas	2 433	3 633	3 829	3 742
Refrigerants	2 590	2 537	1 895	3 350
<b>Scope 2: Indirect emissions from purchased electricity</b>	<b>154 513</b>	<b>172 648</b>	<b>197 771</b>	<b>202 586</b>
<b>Total scope 1 and 2 emissions</b>	<b>162 173</b>	181 111	206 995	212 801
<b>Scope 3: Indirect emissions from use of purchased materials and fuels and transport</b>	<b>1 540</b>	<b>5 104</b>	<b>22 897</b>	<b>30 684</b>
Waste disposed	123	259	782	802
Paper	397	395	698	337
Flights	995	4 334	21 066	29 107
Rental cars	25	116	351	422
<b>Total scope 1, 2, 3 operational emissions</b>	<b>163 713<sup>✓</sup></b>	<b>186 215</b>	<b>229 892</b>	<b>243 485</b>



Split of SBSA carbon emissions (tCO <sub>2</sub> e)	2021	2020	2019	2018
Scope 1 (%)	<b>5</b>	4	4	4
Scope 2 (%)	<b>94</b>	93	86	83
Scope 1 and 2 (%)	<b>99</b>	97	90	87
Scope 3 – Standard Bank operations (%)	<b>1</b>	3	10	13
Emissions per m <sup>2</sup> of office space	<b>0.22</b>	0.23	0.28	0.28
Emissions per employee*	<b>5.6</b>	6.12	–	–
CDP Score	<b>C</b>	C	B-	B-

\* Our calculation of emissions intensity per employee is based on scope 1 and 2 emissions in our South African operations in metric tonnes CO<sub>2</sub>e, divided by total South African operations permanent employees.

Energy	2021	2020	2019	2018
Consumption (MWh)	<b>164 233</b>	192 027	215 146	235 429
Total non-renewable energy consumption (MWh)	<b>161 633</b>	189 341	212 388	232 042
Energy produced through SBSA renewable energy systems (MWh)	<b>2 601</b> ✓	2 686	2 758	3 101
Renewable energy as % of total energy consumption	<b>1.58%</b>	1.4%		



## Scope 2 emissions: energy use

Electricity comprises the major contributor to the group's direct carbon footprint (scope 2 location-based emissions). In South Africa, we purchase our electricity from the national utility, Eskom.

We have a dedicated budget for energy efficiency and energy management projects. This includes provision for installation of meters to maintain data accuracy. Over 50% of our facilities in South Africa (offices, branches, data centres and others) are metered, accounting for 61% of the total facilities area. Electricity consumption data for these facilities is collected directly from our meters. Consumption from unmetered data is extrapolated using a verified method which is documented for auditing purposes. The total consumption data is converted to CO<sub>2</sub> equivalent using a factor obtained from Eskom. We use our metered data to develop business cases to ensure investment is targeted to priority areas which offer attractive paybacks and return on investment.

Our energy management system aligns with ISO 50001, an international standard designed to improve energy performance and consequently conserve resources, tackle climate change and save money. In 2020 and 2021, we significantly reduced the purchased electricity consumed in/by our South African data centres, headquarters, branches, cash centres, learning facilities and ATMs, specifically in relation to air-conditioning, lighting and IT systems.

We achieved these reductions by:

- Optimising use of floorspace in the context of lower occupancy levels (employees continued to work from home owing to the pandemic)
- Inactivating energy consuming devices on floors that were sparsely populated
- Replacing fluorescent lighting systems with LED lighting systems (ongoing process across four head office sites)
- Installing presence sensors in selected head office buildings to support our intelligent building strategy
- Using lighting technologies that support circadian rhythm
- Using of electricity generated from renewable sources.

In 2021, we piloted phase change materials in our facility located in Constantia Valley Office Park to further improve indoor conditions by lowering temperatures, enabling improved energy performance of heat, ventilation and air conditioning (HVAC) systems, a significant energy contributing system in our facilities. The pilot proved successful and we are investigating scaling this solution in 2022.



### Investment to increase energy efficiency, energy security, and environmental sustainability in South Africa:

- 2020 – R12 million
- 2021 – R14.6 million



### Reduction in electricity consumption in SA

- 2020 – 23.1GWh, 11% reduction compared to 2019
- 2021 – 27.8GWh, 14% reduction compared to 2020



### Reduction in Scope 2 carbon emissions achieved

- 2014 – 307 GWh (283 314 tCO<sub>2</sub>)
- 2020 – 166 GWh (172 647 tCO<sub>2</sub>e), 13% reduction compared to 2019
- 2021 – 143GWh (154 513tCO<sub>2</sub>e) 11% reduction compared to 2020

## Scope 3 emissions

Our measured scope 3 emissions include:



### Flights and rental cars

calculations based on invoiced data from travel agents. We convert activity data to emission data using emission factors available from international databases.



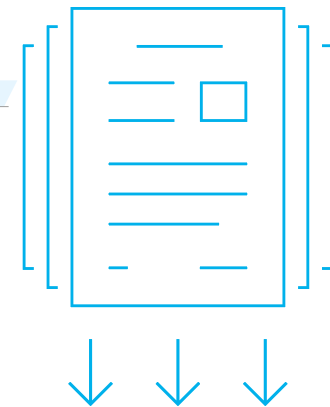
### Waste disposal

waste streams, including general waste, wet waste from our canteens and restaurants, are mostly sent to landfill and hazardous waste. Data is collected from the waste management companies servicing SBSA. We convert activity data to emission data using emission factors available from international databases.



### Paper use

Paper usage includes marketing brochures, office paper, and ATM slips. We use invoiced data from suppliers. Activity data is converted to emission data through Department for Environment, Food and Rural Affairs published emission factors.



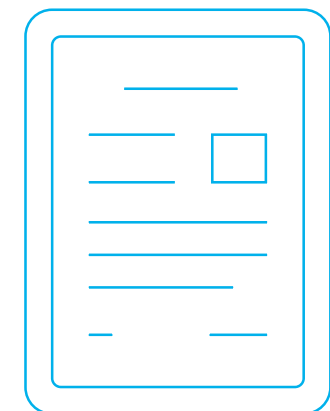
Our paper-less branches programme has yielded successes in reducing paper usage. In 2019 we introduced a 'follow me' printing initiative in our offices, which has significantly reduced office paper usage. We actively encourage staff to be paper-wise when they print.

As in 2020, most of our employees continued to work from home owing to the Covid-19 pandemic. Most of our canteens and restaurants remained closed. Waste production was well below 2019 levels as a result.

Waste (tonnes)	2021	2020	2019	2018
General waste	262.2	565	1 332	1 365
Hazardous waste	0.81	1.05	1.57	1.37
Waste to landfill	262.97	566	1 334	1 367
Recyclable waste	20.77	51	227	170
Total waste	284	616	1 560	1 536

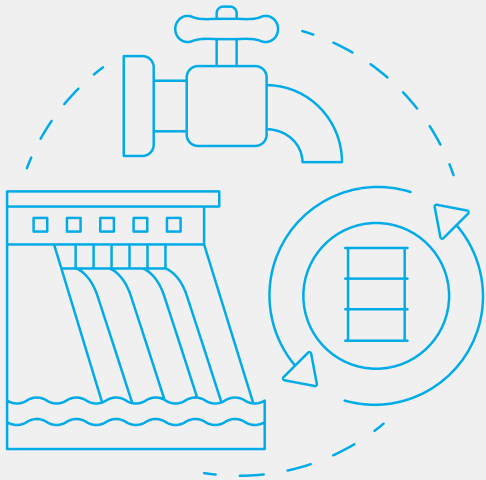
Paper	2021	2020	2019	2018
Paper (tonnes)	381.3	379.5	732.9	353.5
Paper carbon emissions in kg CO <sub>2</sub> e (tonne CO <sub>2</sub> e)	397	395	698	337
Paper recycled (tonnes)	166	99	998	-



## Water management

Water use remained well below 2019 levels, as most employees continued to work from home.

Water	2021	2020	2019	2018
Total water consumption (kl) (100% of use if municipal water)	<b>362 623</b>	495 829	627 632	680 559
Reduction target (%)	<b>8</b>	8	8	6



We have put measures in place to ensure that our strategic facilities across South Africa are water efficient, have a reliable source of water when there is an interruption to supply from the municipality and minimise water waste. Since 2016, we've installed water meters in our strategic facilities to enable accurate monitoring of water usage and benchmarking across locations and against industry benchmarks. In 2019, we identified sites displaying

high-use, and implemented water efficiency projects, including low-flow bathroom taps and showers. We also identified sites at significant water risk, and installed back-up water storage tanks.

All HVAC systems at our main facilities have been standardised to accommodate air cooled chillers and reduce our need for water. In some cases, we make use of combination systems like dry adiabatic coolers to achieve a balance between energy efficiency and water conservation.

To further reduce our reliance on municipality water, we have completed a technical evaluation at one of our regional headquarters to install a rainwater harvesting system. A second evaluation focused on installing an air-cooled system in addition to the water-cooled system to reduce reliance on water consumption in the air-conditioning system.

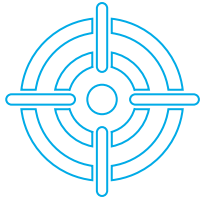
We initiated a portfolio wide replacement of taps to a single touch solution in 2020, to support our Covid-19 response. We test and monitor the quality of our drinking water.

## Green buildings

All SBSA's new buildings are aligned with the Green Building Council of South Africa's (GBCSA) sustainability rules. Our head offices in Rosebank, Johannesburg have a 5-star Green Star rating, as does our head office in Windhoek, Namibia. 14 of our buildings are Green Star-rated. We're working to introduce more efficient energy and water solutions across all our newly built facilities. Our parking facility at No. 1 Simmonds, Johannesburg, produces more renewable energy than it consumes, making it net positive carbon. Our Global Leadership Centre in Johannesburg is the first commercial facility in Africa to be awarded an ISO 50001 Energy Management certification. 75% of our commercial office space (excluding branches) uses LED lighting.

We are expanding our electric vehicle charging stations at selected office locations and integrating these stations with roof-top solar to promote green transportation for employees with electric vehicles. We currently have facilities in Gauteng and Kwazulu-Natal that can facilitate green mobility of around 550km.





## Targets

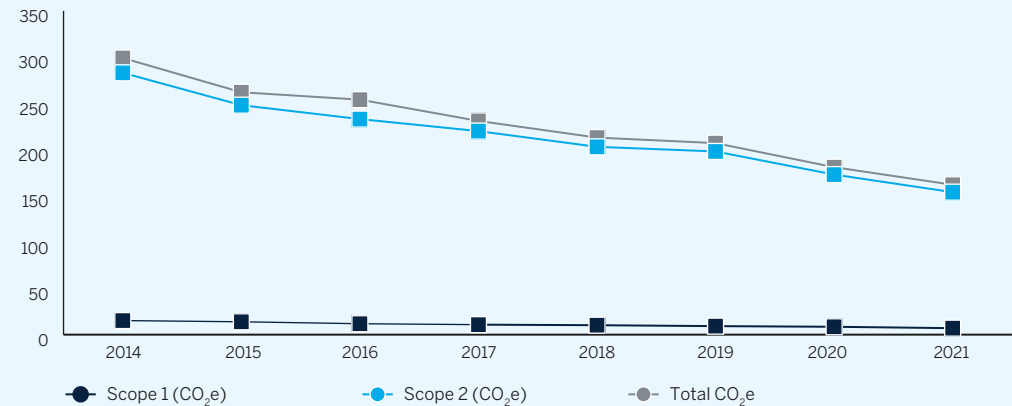
### Initial climate targets

The group is setting climate targets and commitments in successive phases, informed by sectoral and regional conditions, including but not limited to sector exposure to climate risk, sector carbon intensity, nationally determined climate contributions and policies, and available technology. Further details of our first set of climate targets are set out in our [climate policy](#).

### Internal operations

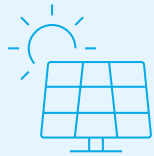
We have committed to achieving net zero carbon emissions from our own operations for newly built facilities by 2030, and for existing facilities by 2040, using the absolute contraction approach. We use 2014 as our baseline year. This target is consistent with the level of decarbonisation required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures. To achieve this target, we aim to achieve an annual reduction of 4.2% of Standard Bank's 2014 baseline emissions by 2025.

### SCOPE 1 AND 2 EMISSIONS (ktCO<sub>2</sub>e)





## Portfolio exposures



### Sustainable finance

- Mobilise a cumulative amount of R250 billion to R300 billion for sustainable finance, against a 2020 baseline of sustainable finance gross origination of R13.5 billion
- This target includes an additional R50 billion of financing for renewable energy power plants, and underwriting of a further R15 billion of renewable energy solutions by end of 2024.

This commitment to financing renewable energy is estimated to be 2,5 to three times greater than the group's financing commitment towards non-renewable energy by the end of 2024.



### Gas

- Limit financing of standalone gas-fired power plants providing general baseload, mid-merit or peaking power to a cap of 0.75% of total group advances after 2026, from a current level of 0.14%
- Reduce exposure to gas by 2045, in line with our commitment to net zero by 2050, while giving due consideration to the energy security of the markets where we operate.



### Oil

- Reduce group advances to upstream oil by 5% by 2030. Review thereafter in line with oil's contribution to the overall energy mix
- Reduce financing to power sector clients generating power predominantly from oil from 0.05% of total group advances in 2021 to 0.03% in 2026 and zero from 2030. Such clients will be required to provide comprehensive carbon emission reduction strategies in advance
- Periodically review to assess progress against targets and alignment to net zero by 2050.



### Thermal Coal

- Limit thermal coal exposures to 0.7% of group loans and advances in 2021
- Reduce exposures to 0.50% of group loans and advances by 2030
- Reduce financing to power sector clients generating power predominantly from coal from 0.18% of total group advances in 2021 to 0.15% in 2026 and 0.12% from 2030. Such clients will be required to provide comprehensive carbon emission reduction strategies in advance of financing
- Finance new coal mines only when there is an overall positive environmental impact
- Periodically review to assess progress against targets and alignment to net zero by 2050.



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