

Introduction

This document presents evidence of SB's current efforts in climate-related reporting. The purpose is to support with data the recommendations made in Resolution 11, page 9 included in the 2022 AGM Notice. All data referred to Standard Bank public reports.

RECOMMENDATION 1 OF 3

To report on the Company's progress, in relation to each relevant country of operation, in calculating its financed greenhouse gas emissions from its exposure to oil and gas

- 1.1 Does SB report pertinent data that includes all its countries of operation, business units and sectorial data analysis (including scope, targets, and progress towards targets)?** **NO**

None of the documents include a description of finance emissions (scope 3), this makes it very difficult for SB to set baselines and track emissions evolution.

The bank does not commit to doing it in 2022 or 2023, SB's mentioned its commitment for 2025 "to applying the PCAF methodology over the next three years to measure the financed emissions of our customers".

Other relevant reports present data lags:

- 2021 CDP: contains 2020 figures and it is only referring to South African data.

Fact checked on 4 documents:

- SB's 2022 Climate Policy
- SB's 2021 Climate-related financial disclosures report
- SB's 2021 ESG Report
- SB's 2021-CDP-Submission questionnaire

RECOMMENDATION 2 OF 3

To disclose the Company's baseline financed greenhouse gas emissions from its exposure to oil and gas

- 1.2 Does SB calculate and report its baseline financed greenhouse gas emissions from its exposure to oil and gas?** **NO**

There is no evidence of disclosure of baseline.

Note: SB considers climate reporting in the category of medium and long-term policy risk and short to medium-term market risk.

Fact checked on 4 documents:

- SB's 2022 Climate Policy
- SB's 2021 Climate-related financial disclosures report
- SB's 2021 ESG Report
- SB's 2021-CDP-Submission questionnaire

RECOMMENDATION 3 OF 3

To update the Company's March 2022 Climate Policy to include short-, medium-, and long-term targets

1.3 Does SB Climate Policy present short-, medium-, and long-term targets for its financed emissions? **NO**

SB presents a "Target setting approach" which describes how it has set some targets or how is planning to do it.

The information about targets lacks quantitative data.

Fact checked on 1 document:

- SB's 2022 Climate Policy

Background Note

2.1 CDP Score and Data Disclosure

Latest scores

2021	C
2020	C
2019	B-

A and A- Leadership level
B and B- Management level
C and C- Awareness level
D and D- Disclosure level

Data reported only for South Africa (62% of the group's profits in 2020).

No information about operations in other African countries (Kenya, Malawi, Namibia, Nigeria, and Uganda) and international operations (Beijing, Dubai, London, New York, and Sao Paulo).

Fact checked on 1 document:

- SB's 2021-CDP-Submission questionnaire

2.2 Exposure to high-carbon assets

At 31 December 2021, SB reports ↑ R1 921 881 million (2020 equivalent R1 718 290 million).

SB presents the sectors in the group credit portfolio with elevated levels of climate-related risks and opportunities, as of 31 December 2021.

Fact checked on document:

- SB's 2021 Climate-related financial disclosures report

SECTOR	TOTAL RM	%
Total Oil & Gas	76 080	↑ 3.96% (3.29% 2020)
Fossil-fuel Power Generation	6 987	↑ 0.36% (0.35% 2020)
Coal Mining (Extractors)	6 763	↓ 0.35% (0.45% 2020)

Further detail on recommendations

1.1 Does SB report pertinent data that includes all its countries of operation, business units and sectorial data analysis (including scope, targets, and progress towards targets)?

None of the documents include a description of financed emissions (scope 3) which makes it very difficult for SB to set baselines and track emissions evolution.

The bank does not commit to doing it in 2022 or 2023, SB's mentioned its commitment in 2022 "to applying the PCAF methodology over the next three years to measure the financed emissions of our customers".

There is no evidence of scope 3 financed emissions in SB's reports. The only reference to scope 3 found doesn't include financed emissions.

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


Source: [SB's 2021 Climate-Related Financial Disclosures Report](#), page 8

GHG emissions inventory – tCO ₂ e (tonnes)	2021
Scope 1: Direct emissions (from owned or controlled sources)	7 660
Diesel generators	1 769
Fleet vehicles	868
Natural gas	2 433
Refrigerants	2 590
Scope 2: Indirect emissions from purchased electricity	154 513
Total scope 1 and 2 emissions	162 173
Scope 3: Indirect emissions from use of purchased materials and fuels and transport	1 540
Waste disposed	123
Paper	397
Flights	995
Rental cars	25
Total scope 1, 2, 3 operational emissions	163 713 ✓

Source: [SB's 2021 Climate-Related Financial Disclosures Report](#), page 23


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.

Source: [SB's 2021 Climate-Related Financial Disclosures Report](#), page 26

1.2 Does SB calculate and report its baseline financed greenhouse gas emissions from its exposure to oil and gas?

There is no evidence of disclosure of baseline for oil and gas or any other fossil-fuel investment.

It is mentioned in SB 2050 commitment without any concrete timeline, SB mentioned, "Set emissions reduction targets and portfolio baselines for additional sectors".

Baseline is also mentioned in its portfolio exposure for the sustainable investment but not addressed for gas, oil, or thermal coal.

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.

Source: [SB's 2021 Climate-Related Financial Disclosures Report](#), page 8

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.

Source: [SB's 2021 Climate-Related Financial Disclosures Report](#), page 29

Note: SB considers climate reporting in the category of medium and long-term policy risk and short to medium-term market risk.

SB mentioned in its risk assessment: “Increasing pressure and potential obligations to identify, measure and report emissions, including financed emissions” and “Changing investor expectations, pressure to reduce financed emissions and improve transparency, impacting on access to capital.”

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	
Policy risk <i>Medium to long-term</i>	<ul style="list-style-type: none"> Uncertain long-term demand for non-renewable energy sources, especially coal, owing to regulatory changes and associated risk of stranded assets** 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 Increasing pressure and potential obligations to identify, measure and report emissions, including financed emissions.
Technology risk <i>Short to medium-term</i>	<ul style="list-style-type: none"> 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.
Liability risk <i>Medium-term</i>	<ul style="list-style-type: none"> 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.
Market risk <i>Short to medium-term</i>	<ul style="list-style-type: none"> Changing client expectations, as clients seek greener solutions and more transparency, impacting on business opportunities Changing investor expectations, pressure to reduce financed emissions and improve transparency, impacting on access to capital.
Reputation risk <i>Short-term</i>	<ul style="list-style-type: none"> 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.

Source: [SB's 2021 Climate-Related Financial Disclosures Report](#), page 14

1.3 Does SB Climate Policy present short-, medium-, and long-term targets for its financed emissions?

SB has no evidence of short-, medium-, and long-term targets for its financing emissions.

SB presents a “Target setting approach” which describes how it has set some targets or how is planning to do it. The information about targets lacks quantitative data. SB mentioned, “targets and commitments have been set for agriculture, gas, oil, and thermal coal, based on their identified levels of elevated climate risk.” but it is not evidence of the quantification of a baseline, target, and progress.

To achieve a just transition toward net zero, **the group is applying several complementary mechanisms.** Specifically, SBG is:


- setting targets to increase lending to sustainable finance solutions, using appropriate classification systems;
- refining existing lending policies where these may be restrictive or exclusionary of certain activities and assets;
- **setting climate targets to reduce financed emissions in specific sectors;**
- partnering with clients to help them adapt in support of their climate transition commitments; and
- monitoring clients' commitments as part of their transition.

Source: [SB's 2022 Climate Policy](#), page 5

2.1 SB's CDP questionnaire

Other relevant disclosure reports present data lags. Key points from CDP reporting:

- Latest report is from 2021 with reporting data from January to December 2020. No report using 2021 data is available.
- Country coverage only refers to South African data.
- There is no evidence of a full implementation along with all bank products, (Bank lending, Investing, and Insurance underwriting). The only mention of climate-risk assessment demonstrates early steps.

Name	Response	Year	Status	Score
Standard Bank Group	Climate Change 2022	2022	No Response	Not Scored
Standard Bank Group	Climate Change 2021	2021	Submitted	

Source: [2021-CDP-Submission questionnaire](#), main SB reporting page

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.
South Africa

Source: [2021-CDP-Submission questionnaire](#), question C0.3

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	In line with the recommendations of the TCFD, we assess and disclose metrics which reflect the impact of climate-related risks and opportunities in our credit portfolio. We have undertaken an initial assessment of our exposure through our lending activities in sectors which we have identified as being the most vulnerable and sensitive to physical and transition risks. This work is ongoing and is informed by our participation on the UNEP FI's Phase II and Phase III pilot project. The results are published in our 2020 ESG report, available on our website.
Investing (Asset manager)	No, but we plan to do so in the next two years	
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	Yes	Standard Bank Insurance Brokers (SBIB) and Standard Insurance Limited (SIL) have initiated climate change risk processes and discussions regarding climate change opportunities. RCSA processes have historically provided for coverage of climate change risk from an emerging risk perspective. We are currently expanding this to identify and assess climate change risks in more granular detail. This will be supported by industry publications, including "Insuring the Climate Transition" (UNEP), and "Supervision of Climate Related Risks in the Insurance Sector" (PA). The business has undertaken stress testing exercises from a quantitative (physical risk), and qualitative (physical and transition risk) perspective. We have also undertaken qualitative assessment of climate impacts from an ESG Risk rating perspective. These exercises will support maturing of climate change risk capability within the business.
Other products and services, please specify	Yes	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 Framework, and specifically our ESMS.

Source: [2021-CDP-Submission questionnaire](#), question CFS2.2b

2.2 Exposure to high-carbon assets

“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).”

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.

Source: [SB's 2021 Climate-related financial disclosures report](#), page 21

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				
Exposures to climate-related opportunities											
Renewable power generation	1	11 574	1 475	13 049	0.68%	12 004	1 824	13 828	0.80%	Low	Moderate
Exposures to carbon-related assets											
Non-renewable power generation		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
Coal mining (extractors)	5	3 398	3 365	6 763	0.35%	5 068	2 632	7 700	0.45%	High	Moderate
Total oil and gas	6	42 763	33 316	76 080	3.96%	31 020	25 436	56 457	3.29%	High	Moderate
Oil and gas	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
Oil	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
Gas	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
Agriculture	10	52 329	17 476	69 805	3.63%	48 340	14 864	63 204	3.68%	Moderate	High

Source: [SB's 2021 Climate-related financial disclosures report](#), page 22