Standard Bank Group

Climate Strategy and Implementation Plan

March 2023

Contents

List of abbreviations and acronyms

°C	Degrees Celsius
CCUS	Carbon capture, usage and storage
ESG	Environmental, social, and governance
GHG	Greenhouse gas
NGFS	Network for Greening the Financial System
PCAF	Partnership for Carbon Accounting Financials
SBG	Standard Bank Group
TCFD	Framework for climate-related financial disclosures
ZAR	South African Rand

Introduction

Standard Bank's purpose is *"Africa is our home, we drive her growth*". This purpose is the starting point for our approach to climate change.

Standard Bank (SBG or the group) supports the Paris Agreement[1] and the need to keep global average temperatures within 1.5 degrees above pre-industrial levels. We also recognise the commitments that African countries have made to mitigate climate change by lowering their GHG emissions in line with the principle of common but differentiated responsibility that allows developing countries to move at a slower pace. SBG also supports efforts to mitigate the impact of climate change, and to improve access to reliable and sustainable energy sources: a critical factor in economic growth and poverty alleviation in Africa. Furthermore, SBG commits to driving awareness and access to water and waste management solutions as two important elements impacting the energy transition and sustainable operations.

As such, the group commits to achieving net zero[2] carbon emissions from its own operations for newly built facilities by 2030, for existing facilities by 2040, and from its portfolio of financed emissions by 2050.

This transition to lower carbon activities will introduce challenges and risks across the continent, including job transition and migration, skills shortages and training requirements, rapidly changing technology advancements, rate of government policy implementation and quality of governance. These socio-economic impacts are currently not well understood for Africa. It is nonetheless clear that climate risk mitigation requires skills development, access to resources and technology, adoption of assertive policies and governance processes, and a collective will across the continent.

[1] https://unfccc.int/sites/default/files/english_paris_agreement.pdf
[2] 'Net zero' means that greenhouse gas (GHG) emissions produced are balanced by absorbing or removing an equivalent amount from the atmosphere. SBG interprets net zero as per the definition of the Intergovernmental Panel on Climate Change 1.5 °C pathways, and is dependent on the application of appropriate science-based modelling.

SBG is exploring sustainable opportunities that can facilitate a just transition[3]. The group's position is mindful of both the opportunities to partner with clients and stakeholders to support their climate transitions and the Nationally Determined Contributions to reducing global GHG emissions of the countries where the group does business.

This document has two parts:

Part A: Standard Bank's climate ambition, strategy and implementation approach

Part B: Standard Bank's board-approved climate commitments and targets as at 31 December 2022.

[3] "Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities" (page 4 of the Paris Agreement): https://unfccc.int/sites/default/files/english_paris_agreement.pdf

PART A: Group climate ambition, strategy and approach

1. Purpose of this strategy and plan

This strategy and implementation plan is part of a roadmap to bank Africa's just energy transition, invest in renewable energy, transition and adaptation finance, support our clients, and reduce our financed and facilitated GHG emissions. It applies to all client segments and legal entities within SBG and will be implemented in a phased manner. This document sets out:

- The group's phased approach to setting climate targets and commitments
- The process followed for setting climate targets and commitments
- The process followed for the monitoring of implementation of the SBG Climate Policy and the achievement of climate targets and commitments
- The approach and framework for reporting on implementation of the SBG Climate Policy and for climate-related financial disclosures both internally, and to the market and external stakeholders
- The climate commitments and targets in different sectors that have been approved by the SBG Board, as well as the measures to achieve these and the timetable for implementation thereof

2. The group's phased approach to setting climate targets and commitments

The group has a phased approach to setting climate targets and commitments across the different economic sectors and geographies in which it operates. The sequence of the work is informed by the following factors:

- The sector's contribution to GHG emissions
- The sector's contribution to the group's business
- The availability of emissions data and transition pathways for the sector
- The country's climate policy and targets where these have been set

A phased approach is being implemented:

- Phase 1 (2021) – Non-renewable energy, renewable energy, sustainable finance, and direct operations
- Phase 2 (2022) – Agriculture, commercial and residential real estate, and short-term insurance

- Phase 3 (2023) – Downstream oil and gas, transportation, long-term insurance, asset management
- Phase 4 (2024+) – Sectors that are under consideration include metallurgical coal, steel, mining, cement and construction

3. Process for setting climate targets and commitments

The following process is used for setting climate targets and commitments:

3.1 Business segments convene the relevant sector teams to complete an analysis of:

- Sector and country strategy
- Current exposure to the sector
- Counterparties and clients in the sector
- Sector's contribution to GHG emissions
- Sector's exposure to physical and transition risks
- Relevant climate transition pathways
- Relevant climate scenarios
- Review of climate targets and commitments published by peer banks
- Relevant statutory and non-statutory frameworks and guidelines
- Market trends and developments
- Opportunities related to transition finance, adaptation finance, and credible carbon offsets
- Changing technology
- Changing policy and regulatory frameworks

3.2 Sector teams prepare a "house view" that summarises the group's posture towards climate risks and opportunities in the sector.

3.3 Sector teams prepare a set of climate targets and commitments that include:

- Targets to increase exposure to renewable energy and sustainable finance over the short, medium, and long-term
- Targets to decrease exposure to financed emissions over the short, medium, and long term
- The introduction of new exclusions and restrictions on lending, investing, and insuring, specific activities and assets to achieve these targets
- The introduction of new products and services to achieve these targets
- Plans for engaging with clients and customers to raise awareness and provide them with relevant knowledge and solutions

- Implementation timetables

3.4 Sector climate plans are tabled at the relevant governance bodies in the respective Business Segment and, if approved, submitted to the Social and Ethics Management Committee and Group Leadership Council for discussion. Final sector climate plans, including targets and commitments are tabled at the Group Social and Ethics Committee for approval. This is a Board committee mandated to oversee the group's climate strategy.

4. The approach to climate-related financial disclosures

Our approach to climate-related financial disclosures is primarily informed by the TCFD principles and framework which have become a benchmark for climate disclosures in the financial services sector. Climate-related disclosures are published annually ahead of the group's Annual General Meeting. The scope of these disclosures improves year-on-year as the group's climate-related data improves.

As we work on improving our climate-related data, we have chosen to use "exposures to sectors" as a proxy indicator for the purposes of our climate-related disclosures. This is an interim approach while the necessary work is done to measure financed emissions. To this end, we are active participants in the Partnership for Carbon Accounting Financials (PCAF) initiative and are investing in our climate-related data capabilities.

We have taken note of evolving disclosure standards and frameworks including those published by the International Sustainability Standards Board (ISSB) and the US Securities Exchange Commission (SEC). We are also aware of emerging regulatory requirements for climate-related disclosures in different markets. As such we will regularly review and update our climate-related disclosures in line with market expectations.

PART B - Climate Commitments and Targets by Sector

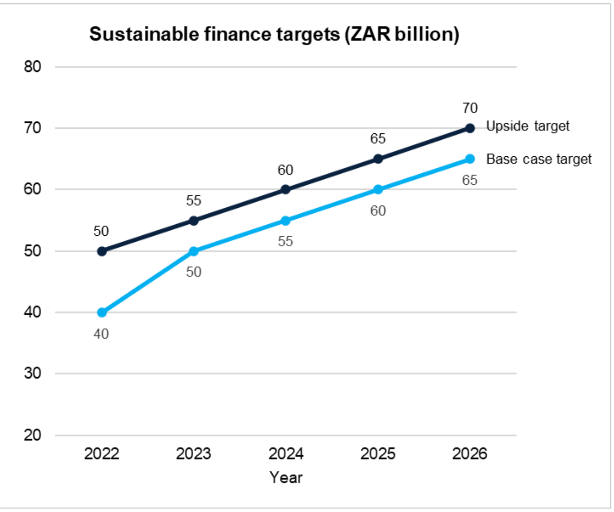
This section contains the specific SBG Board-approved commitments and targets for the following sectors:

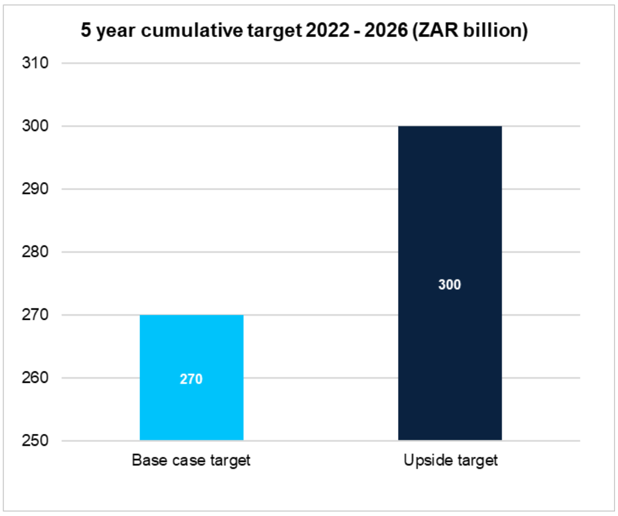
1. Sustainable Finance
2. Renewable Energy
3. Non-Renewable Energy
4. SBG's Direct Operations
5. Agriculture
6. Commercial Real Estate
7. Residential Real Estate
8. Short-Term Insurance

1. Sustainable Finance

The group is already proactive in identifying the opportunities that climate change presents. It delivers both product innovation and thought leadership to capitalise on the opportunities related to sustainable finance that exist across sub-Saharan Africa. To this end, SBG engages with clients to support their transition toward net zero through a variety of sustainable finance solutions including the use of proceeds and sustainability-linked instruments. The group's five-year target is to mobilise a cumulative amount of between ZAR 250 billion and ZAR 300 billion in sustainable finance by the end of 2026.

The sustainable finance targets shown below are dependent on taxonomy standardisation as well as how transition finance will be treated; they include renewable energy financing over the five-year period.





2. Renewable Energy

SBG recognises the significant contribution of the power sector to Africa's current human-driven carbon emissions as well as the critical role of renewable energy in decarbonising the sector.

Renewable energy power plants receive constant natural replenishment. The power they generate is from renewable energy sources – for example wind, the sun, water power and heat generated by the earth – that are not depleted. The financing of renewable energy power plants must nevertheless meet the group's financing criteria. These criteria cover the construction, generation or maintenance of renewable power and associated infrastructure from renewable sources, (namely, wind, solar, and ocean power); small-scale hydropower (<25 megawatt-hours; run off river hydropower with low storage capacity) and large-scale hydropower (where lifecycle carbon intensity <100 grams of carbon dioxide equivalent per kilowatt-hour) as well as the production of green hydrogen.

SBG aims to provide an additional ZAR 50 billion of financing for renewable energy power plants over the next three years and to underwrite the financing of a further ZAR 15 billion of renewable energy power plants over the same timeframe. This commitment to financing renewable energy power plants is estimated to be 2.5 - 3 times greater than the group's financing commitment towards non-renewable energy-fired power plants by the end of 2024.

3. Non-Renewable Energy

Energy is essential in underpinning economic growth in emerging markets, specifically in Africa, where affordable and reliable energy access is fundamental to Africa's development. As non-renewable energy will likely remain key to ensuring energy security in many African regions requiring broad access to electricity as well as transportation, SBG has defined prudent parameters for its involvement in specific sources: gas, oil, and thermal coal. This is in line with SBG's purpose of driving Africa's growth and role of providing financial services to meet the needs of Africa's people, businesses and economies.

Informed by the NGFS Net Zero 2050 scenario, SBG's approach towards decarbonisation, recognises that the burning of carbon-based fuels is the largest contributor to GHG emissions. The group is committed to supporting the transition away from carbon-based fuels and reducing the impact of financed carbon emissions from clients in the non-renewable energy sectors, but recognises that this must be a just transition, grounded in an understanding of the science and developments in the energy mix.

Africa's growing urban populations will require a reliable and sustainable energy supply to power industrial production, electrify more households and expand the use of transport, to drive socio-economic development. Certain countries – Nigeria, Angola, Ghana and Mozambique – produce oil and gas for international markets, thus providing foreign currency and tax revenues to develop their respective economies. SBG therefore acknowledges the pressing need to balance all these realities as part of ensuring a just transition away from GHG-emitting energy sources.

Between 2040-2045, SBG aims for an accelerated phase out from non-renewable energy, except for instances where the use of such energy source can be justified as part of a clear and identifiable energy transition pathway, or where future advances in technology emerge to mitigate environmental impacts. The group closely follows the development and potential implementation of carbon capture, usage and storage (CCUS) and other decarbonisation technologies in sub-Saharan Africa. The rate of transition away from non-renewable energy will be informed by such developments, and projects will be supported where the appropriate technology is implemented and aligned with net zero commitments.

Gas

SBG views gas as a transition fuel[4] in Africa. Adopting this view is key to balancing economic development and social upliftment with the reduction of global emissions by facilitating the switch from higher-emitting energy sources, such as wood and coal, to lower-carbon fuels, such as liquefied petroleum gas for cooking, and natural gas for the provision of baseload energy. SBG's commitment to gas financing is informed by the emissions and development plans of its key markets, as well as by the pathways for Africa supporting global targets (towards 1.5°C). In addition, evidentiary support is provided by the NGFS Net Zero 2050 scenario, which shows gas demand continuing to grow until 2050.

[4] Transition fuel in this context means: a substitute lower-carbon content fuel for higher carbon content carbon-based 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.

Scope

This policy covers the provision of financial products and services to:

(i) exploration, extraction and beneficiation companies;

(ii) processing and refining companies;

(iii) companies involved in all associated activities (from planning, development, extraction, processing, rehabilitation and closure); and

(iv) entities involved in the ownership, development and operation of gas-fired power generation assets.

Commitments

SBG will 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. In addition, SBG commits to developing 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). The group will seek to reduce emissions intensity while managing its gas exposure. Thus SBG commits to:

(i) financing gas-related projects that have zero to minimal fugitive emissions or that are committed to a pathway that reduces the carbon intensity of liquified natural gas plants;

(ii) prioritising 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;

(iii) limiting the financing of standalone gas-fired power plants providing general baseload, mid-merit or peaking power (that is, not meeting the priority criteria above under (ii)) to a cap of 0.75% of total group advances after 2026, from a current level of 0.14% of advances; and

(iv) reducing its exposure to gas by 2045 in line with its commitment to net zero by 2050, while giving due consideration to the energy security of the markets in which the group operates.

Oil

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. Additional support for such a strategy is provided by the NGFS Net Zero 2050 scenario, which shows oil demand in Africa peaking in 2040.

Scope

This policy covers the provision of financial products and services to:

(i) exploration, extraction and beneficiation companies;
(ii) processing and refining companies;
(iii) companies involved in all associated activities (from planning, development, extraction, processing, rehabilitation and closure); and
(iv) entities involved in the ownership, development and operation of oil-fired power generation assets.

Commitments

SBG specifically commits to achieving net zero carbon emissions by:

(i) reducing by 5% group advances to upstream oil by 2030, to be reviewed thereafter in line with oil's contribution to the overall energy mix;
(ii) not financing companies with unrestricted flaring for new assets; or seeking from existing companies with flaring, timebound plans to eliminate flaring for existing assets;
(iii) not providing financial products and services 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.
(iv) prohibiting financing 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 an integrated renewable energy power plant; and
(v) reducing financing to power sector clients generating power predominantly from oil[5], from 0.05% of total group advances in 2021 to 0.03% in 2026 and zero percent from

[5] This refers to clients where generation from coal and / or oil makes up more than 50% of their dispatchable generation capacity; and where possible, SBG will apply a look-through principle in categorising the financing based on its specific application.

2030. Such clients will be required to provide comprehensive carbon emission reduction strategies in advance. These strategies will be annually reviewed to assess progress against targets and alignment to net zero by 2050[6].

Thermal coal

Currently, SBG's thermal coal exposures are predominantly in Southern Africa. Based on South Africa's 2019 Integrated Resource Plan[7], the reliance of the country's electricity capacity on coal is expected to fall from 71% 2019 to 43% in 2030[8], even with new coal capacity added in 2027. This suggests that the transition away from coal is likely to be protracted and that energy security in the Southern African region will remain dependent on coal-fired power in the medium term. This is supported by the NGFS Net Zero 2050 scenario. The scenario anticipates a reduction in the share of coal as a primary energy source in Africa overall from 13% today to 8% by 2030 and 2% by 2050. However, it projects a more significant role for coal in Southern Africa specifically, where its share is expected to decline from 45% in 2020 to 32% in 2030, 15% in 2040, and 9% in 2050.

Scope

The group applies the restrictions outlined below 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 environmental and social impacts, such as decentralised renewable energy projects, water treatment / efficiency, and social initiatives that uplift the communities in which such companies operate.

This policy covers the provision of loans and advances to:

(i) all mine-site activities (from planning, development, processing, rehabilitation and mine closure);

(ii) existing and new thermal coal mining corporates involved in the ownership, development and operation of thermal coal mining assets; and

[6] This will exclude financing provided to such 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.

[7] Integrated Resource Plan 2019 (Corrected Version) – Government Gazette 42784 in Government Notice 1360 of 18 October 2019

[8] Department of Public Enterprises, Mineral Resources Council of South Africa

(iii) entities involved in the ownership, development and operation of coal-fired power generation assets.

This policy excludes the provision of financial products and services to the following players that offer services to the thermal coal mining and coal-fired power generation sector;

(i) construction and operational contractors;
(ii) consultants;
(iii) equipment and vehicle manufacturers and distributors;
(iv) other third-party service providers; and
(v) traders and retailers.

SBG's normal environmental and social risk management policy and system will apply to the above counterparties.

Commitments

SBG specifically commits to achieving net zero carbon emissions by:

(i) limiting thermal coal exposures to 0.70% of group loans and advances in 2021, and to 0.50% by 2030;
(ii) prohibiting financing for the construction of new coal-fired power plants and for the expansion in generating capacity of existing coal-fired power plants;
(iii) not providing financial products and services to mountain top removal (SBG does not fund such activities);
(iv) reducing financing to power sector clients generating power predominantly from coal[9], 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. These strategies will be annually reviewed to assess progress against targets and alignment to net zero by 2050[10]; and
(v) financing new coal mines only when there is an overall positive environmental impact[11].

[9] This refers to clients where generation from coal and / or oil makes up more than 50% of their dispatchable generation capacity; and where possible, SBG will apply a look-through principle in categorising the financing based on its specific application.
[10] This will exclude financing provided to such clients: for the explicit purpose of converting existing coal-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.
[11] For example, if the 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.

SBG will support any refurbishment of existing coal-fired power stations that has the specific purpose of improving efficiency and reducing carbon emissions using CCUS technology. This refurbishment should form part of a clearly defined decarbonisation plan, aligned to net zero by 2050.

Financing parameters

In evaluating financing of companies and projects in the non-renewable energy sector – specifically gas, oil and thermal coal – SBG will consider, as appropriate, as part of its due diligence:

(i) the energy situation in the region and future energy demand in relation to government energy strategy, climate change, carbon commitments, and adaptation plans;

(ii) transition plans or initiatives that includes a commitment to minimising and reducing net greenhouse gas emissions;

(iii) appropriate decommissioning plans unique to the type of non-renewable energy source, where applicable;

(iv) analysis of technically and financially feasible and cost-effective power generation alternatives that are available in the same industry and country;

(v) compliance with our normal lending requirements, including the development of projects in compliance with the Equator Principles, International Finance Corporation Performance Standards and World Bank Group Environmental, Health, and Safety Guidelines, and applicable laws and standards;

(vi) established processes to align with the United Nations Voluntary Principles on Security and Human Rights, where required;

(vii) compliance with host country environmental and social laws, regulations and standards;

(viii) compliance with international conventions, standards and treaties regarding GHG emissions in host country / region;

(ix) impact on human settlements, natural habitats and resources, as well as protected areas and how such impacts are mitigated;

(x) implementation of appropriate asset-level health, safety and environmental management policies, management plans and systems or have committed to implementing these within a reasonable timeline;

(xi) adequacy of environmental rehabilitation provisions;

(xii) accommodation and transportation of staff, where applicable;

(xiii) whether policies are in place to protect their workers' health and safety and disclose or provide their track record at company level;

(xiv) whether policies are in place regarding prevention of child labour or forced labour in their operations and associated activities;

(xv) whether headquarters are in countries that are not under financial sanctions from the United Kingdom, the European Union, the United States of America or the United Nations;

(xvi) opportunities for involvement of local communities, establishment of initiatives to benefit local communities as well as effective ongoing community stakeholder engagement;

(xvii) level of disclosure and transparency towards all stakeholders;

(xviii) disclosure at company level on their performance related to water use, waste generation, energy consumption, greenhouse gas emissions, and land reclamation strategy; and

(xix) Environmental, social and governance (ESG) policies and performance track record, including review of ESG controversies.

For thermal coal mining transactions, SBG will consider the following, in addition to the above:

- effectiveness of mechanisms for tailings disposal, rock dumps, emissions and waste management; and
- rehabilitation, closure planning and financial provision requirements.

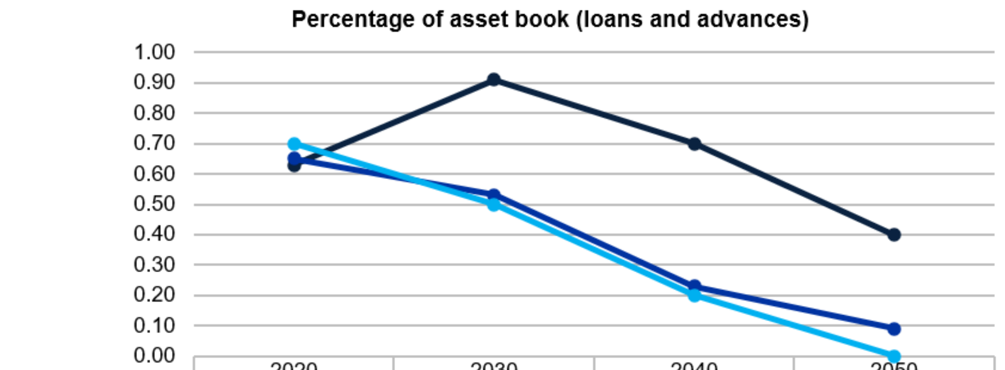
For gas and oil transactions, SBG will provide financial products and services to counterparties that:

- target zero-routine production flaring for new assets and have a time-bound plan to implement economically viable solutions to eliminate legacy flaring for existing assets;
- have implemented oil spill preparedness and response plans; and
- operate offshore service vessels or tankers compliant with International Maritime Organization requirements.

SBG's geographies of activities limit any potential involvement outside of the African continent and therefore, SBG has not previously provided, and will not provide funding to activities in the Arctic Circle or the Amazon Basin. Further, SBG will not participate in any other projects that do not prioritise project-related mitigation activities to reduce adverse impacts on biodiversity.

Non-renewable energy targets

The overall shape of the non-renewable energy targets towards 2050 are a percentage of the forecasted total loans and advances, and limits (shown below).



	2020	2030	2040	2050
Gas	0.63	0.91	0.70	0.40
Oil *	0.65	0.53	0.23	0.09
Thermal coal	0.70	0.50	0.20	0.00

* Exploration and production

4. SBG's Direct Operations

SBG's direct carbon footprint comes from its office and branch infrastructure, its cash and data centres and employee travel. The energy used to keep SBG's infrastructure operational is in large part sourced from the national electricity grids of the countries in which the group operates. In consequence, SBG's carbon emissions reflect these countries' current reliance on traditional energy sources. Additionally, the group uses diesel generators to provide emergency power with an associated impact on emissions. Thus as countries across Africa transition away from coal power, SBG's direct emissions will reduce.

SBG plans work towards a goal of net zero across the group's operations: for newly built facilities by 2030 and for existing facilities by 2040. This work will include:

- drawing on more renewable energy sources to meet SBG's own needs;
- investing in improved systems for energy metering, data capture and analysis;
- enhancing the energy efficiency of lighting through light-emitting diodes (LED), motion sensoring, heating and air conditioning systems; and
- implementing renewable Power Purchase Agreements.

5. Agriculture

SBG recognises the dual role played by agriculture: it is a sector that contributes to GHG emissions but – through carbon sequestration – also acts as a sink for GHG emissions generated by other sectors. This view is consistent with the NGFS Net Zero 2050 scenario which shows agricultural demand in Africa increasing by approximately 80% by 2050.

Agriculture is particularly important in Africa. It ensures food security and employment for a large proportion of middle- and lower-income households. As a provider of financial services to this sector, the group aims to continue to back this vital sector with a drive to support sustainable agricultural practices that promote reduced carbon emissions and enhance its resilience to climate risk. "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.

Our ambition is to become the thought leader on the continent for sustainable agriculture and to play a leading role in developing solutions that enable a just transition to climate-smart agriculture across the entire agribusiness value chain. This is based on our convictions that:

- A just transition is required to ensure we support food security, employment, and sustainable livelihoods on the continent
- Agriculture is a business opportunity
- Climate change is a material threat to the sector
- Agriculture is also a carbon sink for other sectors, and supporting sustainable agriculture contributes to building natural carbon sinks to absorb emissions from the atmosphere

We will not finance:

- 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[12]

[12] As defined by the United Nations Food and Agriculture Organization (FAO) https://www.fao.org/3/i1490E.pdf

We commit to:

(i) Supporting clients in their transition to more sustainable agriculture by:

- Leveraging the expertise of specialist agriculture advisors
- Formalising an approach to assisting clients with sustainable farming practices that:
  - sustainably increase food security and support rural livelihoods
  - strengthen the resilience of food systems to climate change and variability
  - reduce GHG emissions from agricultural activities and sequesters carbon on farmland

(ii) Utilising this support to capture the following agricultural opportunities:

- Climate-smart agriculture[13][14] through the following decarbonisation levers:
  - Smart energy such as solar and biomass
  - Smart water such as drip irrigation, shade netting and greenhouses
  - Smart equipment such as no-till and precision farming equipment
  - Smart practices such as regenerative agriculture, conservation agriculture and drought resistant cultivars
- Digital platforms to assist small-holder farms, such as the group's OneFarm platform

(iii) Encouraging sustainable agricultural practices through the introduction of sustainable lending products by 2024

(iv) Engaging at a sector level with other banks and leading sector bodies to establish a national climate pathway for the sector that ensures forward movement towards shared climate goals

(v) Given the complexity of the sector, lack of available emissions data from clients, limited availability of industry data, and the lack of consensus on the transition pathway to Net Zero for agriculture, committing to support clients' decarbonisation plans by providing:

- R1bn in climate-smart finance by 2025
- R3bn in climate-smart finance by 2030

(vi) Collecting data to scientifically baseline GHG emissions of the group's agricultural portfolio by 2025 through partnerships with research groups and industry experts. Once this is complete, we will commence with setting financed emissions climate

[13] The FAO suggests that climate-smart agriculture aims to enhance the capacity of the agricultural systems to support food security, incorporating the need for adaptation and the potential for mitigation into sustainable agriculture development strategies.
[14] https://www.profor.info/climate-smart-agriculture-south-africa According to the Program on Forests (PROFOR), climate-smart agriculture seeks to increase sustainable productivity, strengthen farmers' resilience, reduce agriculture's GHG emissions, and increase carbon sequestration. Through proven practical techniques and innovative practices, climate-smart agriculture strengthens food security and delivers environmental benefits.

targets for high-emissions sub-sectors, where sustainably suitable, specific to the biological production of agricultural commodities.

(vii) Making a substantial investment in research, developing solutions, data monitoring capability and controls, resources, and skills to solve for the sector's complexities and data constraints.

(viii) Establishing a chair in sustainable agriculture in 2023 at a leading academic institution to support our ambition to become to become the thought leader on the continent for sustainable agriculture.

(ix) Supporting access to markets and trade, food rescue and reducing food waste, access to finance, innovation, and data transparency through our OneFarm platform

(x) Integrating climate risk into our risk appetite frameworks and stress-testing our portfolio to determine and manage the drivers of climate-related financial risk.

(xi) Determining the level of maturity of the climate policies and transition plans of our corporate clients in 2024 through our strategic client engagement plan.

(xii) Continuously engaging with clients and deploying sustainability intervention training to reduce GHG emissions and improve the sector's climate resilience.

6. Commercial Real Estate

Sector philosophy

Understanding and mitigating climate risk is crucial to the longevity of the built environment to avoid premature obsolescence and ensure resilience, with the Commercial Real Estate (CRE) sector responsible for approximately a third of both direct and indirect GHG emissions. As such, we will endeavour to support our clients on their journey towards net zero and partner with them in mitigating their physical and transition risks through assisting with the funding thereof. Currently, SBG's CRE exposure is predominantly in South Africa. We acknowledge that in SA, the reliance on coal-fired power and the resultant grid emission factor significantly contribute to Scope 3 emissions for buildings. Furthermore, mitigating physical and transition risks is necessary for the sustainability of the sector in terms of preserving property valuations and reducing operating costs of landlords. Therefore, reducing reliance on the national grid and investing in resilience to mitigate climate risks also strengthens the business case for tackling climate change.

Sustainable finance targets

We aim to originate between R30bn and R35bn of sustainable finance by 2026 cumulatively and introduce other innovative sustainability-linked instruments. (This forms part of the overall sustainable finance commitment listed above).

Lending policies

We commit to continuing to support:

- The reduction of GHG emissions of buildings (through energy consumption, water efficiency and waste management) using green financing and sustainability-linked instruments
- Renewable energy, particularly through solar photovoltaic (PV) solutions
- Our clients in transitioning their buildings through refurbishments, retrofitting and repurposing

We commit to setting a framework to embed climate risk into financing decision-making and investment processes.

Climate targets

Based on the PCAF methodology:

- Over the next 12-24 months, we will collect, measure and evaluate applicable building-related emissions data
- Over the next 24-36 months, we will disclose baseline emissions and set targets to reduce financed GHG emissions

Risk assessment

We commit to:

- Assessing physical and different transition risk scenarios
- Managing physical risk and the pace of adaptation in the portfolio

7. Residential Real Estate

Through detailed work on the residential real estate market with a focus on scope 1 and 2 emissions, reviewing the net zero scenarios, the local and international competitor environment and the levers to decarbonize residential real estate CHNW has defined a mission, philosophy and short-term targets as well as a long-term plan to win in the South African residential real estate market through a detailed climate strategy.

The residential real estate strategy is inherently tied to South Africa's real estate and market context:

South Africa's rich coal deposits have led to **structural and economic dependencies on coal** for energy generation, and consequently on the inconsistent electricity supply.

South Africa **trails global peers in leveraging decarbonisation strategies** for residential real estate, including the development of zero-carbon ready standard buildings, improving buliding design, retrofitting, standards for electrical appliances and greening the grid.

For SBG, the ability to set portfolio emissions reduction targets is limited by the **lack of real estate emissions data** in South Africa – unlike in other parts of the world , energy performance ratings are not mandatory for residential properties.

SBG Residential Real Estate Climate Strategy mission statement: We aim to remain the leading home loans provider in South Africa. We will continue to prioritise our clients' desire to see the next generation have a better life by providing sustainable and affordable homes for all. We aim to balance the need for housing with the need to reduce greenhouse gas emissions through a Just Transition, and support the overall increase of the sector's resilience to climate risk.

This climate philosophy is based on five key focus areas:

Baseline: developing an emissions baseline for our home loans portfolio by 2025 and an emissions reduction target that will meaningfully contribute to the Group's net zero 2050 target.

Lending criteria: agreeing on criteria that constitutes "sustainable lending" for climate and social considerations in the context of residential real estate and using this to guide decision making.

Sector engagement: support sector-wide engagement by contributing to the common goal to establish greenhouse gas emissions measurement, certification and a climate pathway for residential real estate at the national level, to help ensure that the sector moves together towards a shared goal.

Conscientising customers: providing information, advice and incentivising customers to support decarbonising their homes.

Products and services: introducing products and services with preferential terms for green buildings and support customers in decarbonising their buildings through retrofitting and shifting to renewable energy.

Based on this philosophy, CHNW has defined four key ambitions with initial short-term climate targets:

(i) We aim to be the leaders in financing socially and environmentally responsible practices within the home loans sector.

Associated target: 1Bn -1.2Bn will be provided to clients who purchase homes that are "green" aligned.

(ii) We will provide commercially-viable physical solutions and financing that will allow all homeowners to retrofit their homes to become more energy efficient and resilient.

Associated targets: ZAR 50MM – 70MM to finance retrofitting; 575 homes retrofitted by 2023; 10 000 physical solutions provided (in conjunction with the insurance team).

(iii) We aim to provide financial services that will transition our existing home loans portfolio towards the use of renewable energy sources.

Associated target: 5 175 solar panels installed by 2023.

(iv) In accordance with the Financial Services Code, we will continue to provide access to affordable housing while balancing the need to reduce greenhouse gas emissions.

Associated target: ZAR 30MM – 50MM of new affordable homes financed should be "green" aligned.

In 2023, we will develop a proxy to baseline portfolio emissions and expand the definition of 'green aligned'. In 2024, SBG will develop emissions-based targets which will be disclosed in 2025.

The strategy will be operationalised through developing products and services, policies and measurement, monitoring and reporting standards.

- **Products and services**: we will support and incentivise customers to decarbonise their homes, improve affordability of green and transition solutions, and reposition LookSee offering to focus explicitly on climate and sustainability. Already in 2022, the group has in conjunction with data partners introduced South Africa's first Solar Score allowing people in three metropoles to determine if their property is solar-ready and its energy generation potential.
- **Policies**: balance the need to prioritise green frameworks with the need to consider their social impact and potential impact on business performance. Explicitly incorporate key climate risks into policies, with future frameworks positioned around incentivizing, rather than restricting.
- **Measurement, monitoring and reporting**: leverage existing SBG **best practices** to establish meaningful metrics.

8. Short-Term Insurance

Sector philosophy

The SBG Insurance business aims to promote ESG operations in line with the group's ESG policy in alignment with best practice and regulatory expectations. This will be achieved by promoting accessibility and modularisation of insurance products.

At its core, insurance is about mutualising and managing risks, elements that are inextricably related to ESG. Therefore, climate change presents both risk and opportunities for the insurance sector.

The risks will continue to be managed in such a way that perils associated with climate change are monitored and that underwriting, and insurance premiums charged to clients, are commensurate with the risk of both the frequency and severity of climate-related events.

The opportunities include transitioning towards energy efficient insurance solutions (smart geyser solutions, GHG emission assessments), developing products and services that support the group's climate policy.

Changes in insurance policies and practices

The short-term insurance business has no exposure to carbon-intensive activities such as oil and gas production; such activities fall outside underwriter risk appetite. Risk is serviced through the brokerage platform for specialist cover.

Partnerships with Underwriting Management Agencies (UMAs)and Insurers to expand insurance offerings to climate-related products, whilst also leveraging the internal brokerage business.

We are partnering with one of the leading geo-coding service providers to review and set exposure limits susceptible to climate risk on Homeowners Cover, for example, Pond Risk Index, Storm Risk Category, Dolomite Risk Category, and Thatch Flammability, focusing on improving the risk management framework.

Climate Targets

We aim to remain the leading homeowners' insurance cover provider in South Africa.

We will provide commercially viable insurance solutions that support the transition of our existing residential real estate portfolio towards the use of renewable energy.

In accordance with the Financial Sector Code in South Africa, we will provide insurance products that are both accessible and affordable while balancing the need to reduce GHG emissions and meet regulatory requirements.

Smart geysers

- We will incentivise clients to fit smart geysers through premium discounts. Our target is to fit 10 000 such geysers by the end of 2023.

ESG assets allocation

- We will allocate R100m SIL capital into Green Bonds by the end of 2023.

Insurance claims supplier chain

- We will drive a reduction in GHG emissions by focusing on the Top 40 claims suppliers by spend and aligning ESG.

Portfolio risk management

- 90% homeowners base geo-coding for Catastrophe (CAT) exposure by the end of 2023.

Sustainable energy brokerage solutions

- We will partner with engineering underwriting management agencies to back finance projects.

Insured emissions targets

- In 2023, we will develop proxy measures of baseline insured emissions
- In 2025, we will adopt and publish emissions-based targets