




Standard Bank

STANDARD BANK GROUP

# CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

for the year ended 31 December 2023

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This report covers the period 1 January to 31 December 2023. Please direct any queries or comments to [GroupSustainability@standardbank.co.za](mailto:GroupSustainability@standardbank.co.za)



# INTRODUCTION

## Our reporting suite

Our suite of reports caters for the diverse needs of our stakeholders.

<p><b>Integrated reporting</b> Primarily of interest to our shareholders, debt providers and regulators, assesses our ability to deliver sustainable growth and value in the short, medium and long term.</p>	
<p><b>Sustainability reporting</b> Primarily of interest to our clients, employees and broader society, our reports to society demonstrate how the group is fulfilling its purpose and the positive impacts it makes.</p>	<p><b>Report to society (RTS)</b> An assessment of our impact on society, the economy and the environment, focusing on the four areas in which we have the most significant impact, namely: enterprise growth and job creation, infrastructure development and the just energy transition, climate change mitigation and resilience, and financial inclusion.</p> <p><b>Sustainability disclosures report</b> Provides an overview of how we manage environmental, social and governance (ESG) risk, including information regarding ethics and conduct, people and culture, environmental and social risk management, and tax governance and policy, together with information about our sustainable finance activities.</p> <p><b>Climate-related financial disclosures (CRFD) report</b> 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).</p>
<p><b>Shareholder reporting</b> Primarily of interest to our shareholders, debt providers and regulators, providing detailed financial performance, risk and regulatory disclosures and governance-related aspects of interest.</p>	<p><b>Annual financial statements</b> Sets out the group's full audited annual financial statements, including the report of the group audit committee.</p> <p><b>Risk and capital management report</b> Sets out the group's approach to risk management and Pillar III disclosures of the Basel Framework.</p> <p><b>Governance report</b> Discusses the group's governance approach and priorities.</p> <p><b>Remuneration report</b> Sets out the group's remuneration policy and implementation report and includes a background statement from the remuneration committee chair.</p>

**Subsidiary annual reports**

Our subsidiaries account to their stakeholders through their own annual and/or other reports and information, available on their respective websites, accessible from [www.standardbank.com](http://www.standardbank.com)

**Assurance statement**

We have a series of internal policies, procedures and controls in place to ensure that accurate data is provided. Our group social, ethics and sustainability committee provides oversight of this report. PricewaterhouseCoopers Inc. (PwC) provided limited external assurance on selected performance data in this report, indicated by ✓ in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), ISAE 3410, and assurance engagements on greenhouse gas statements (ISAE 3410). PwC's limited assurance report can be found [here](#).

Information about our reporting boundary and relevant exclusions is available [here](#).

**Our reporting portal**

All our reports, latest results, presentations and SENS announcements along with a glossary of financial terms, other definitions, acronyms and abbreviations used in our reports are available [here](#).



# WHO WE ARE

## PURPOSE DRIVEN

**Africa is our home, we drive her growth**

## FOCUSED

- We are Africa focused, client led and digitally enabled
- We provide comprehensive and integrated financial and related solutions to our clients
- We drive inclusive growth and sustainable development

## Comprehensive financial services offering

PERSONAL AND PRIVATE BANKING (PPB)  
**15.4 million**  
 customers in 15 countries

BUSINESS AND COMMERCIAL BANKING (BCB)  
**818 000**  
 customers in 14 countries

CORPORATE AND INVESTMENT BANKING (CIB)  
**R51.3 billion**  
 client revenues in 20 countries

INSURANCE AND ASSET MANAGEMENT (IAM)  
**R1.5 trillion**  
 assets under management

<sup>1</sup> GLOBAL CENTRES: Beijing, Dubai, London, New York.

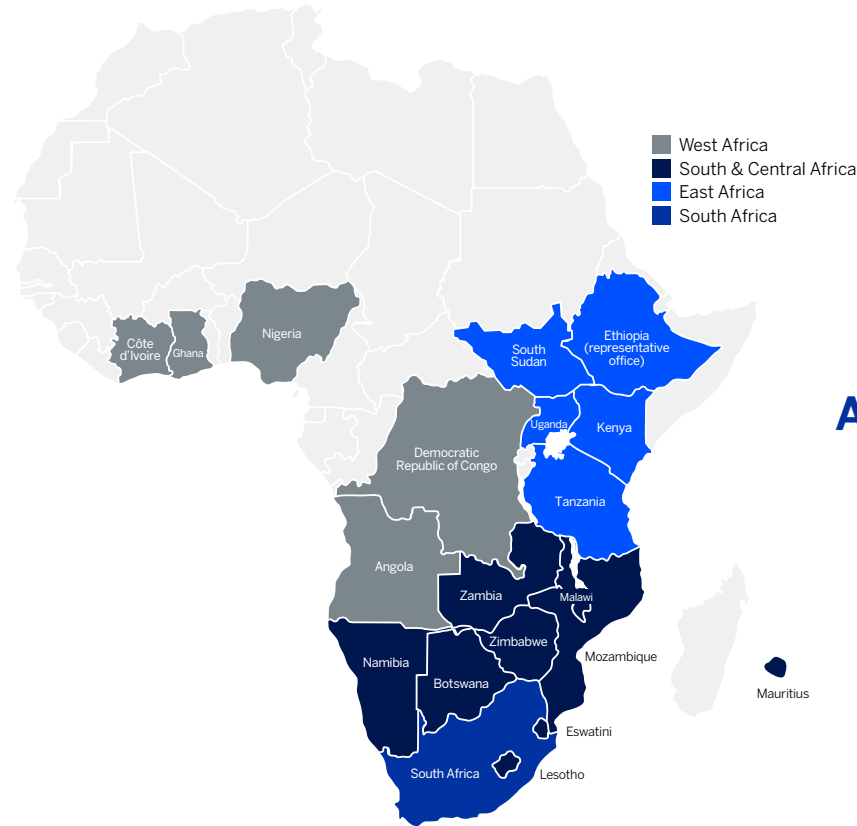
<sup>2</sup> OFFSHORE HUBS: Isle of Man, Jersey.

<sup>3</sup> Most valuable banking brand in Africa and South Africa by Brand Finance for the second year in a row.

<sup>4</sup> Global Markets foreign exchange in Angola, Kenya, South Africa, and Uganda.

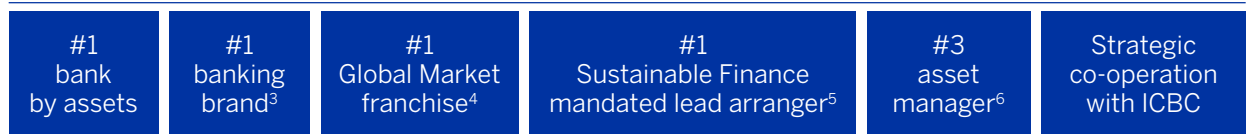
<sup>5</sup> Dealogic data.

<sup>6</sup> By assets under management/administration (AUM/AUA).

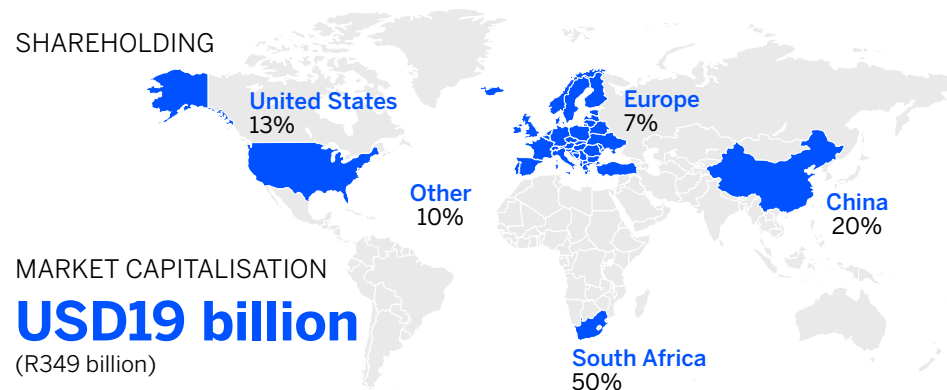


## A leader on the African continent

**20** sub-Saharan African countries  
**4** global centres<sup>1</sup>  
**2** offshore hubs<sup>2</sup>



## SHAREHOLDING



## MARKET CAPITALISATION

**USD19 billion**  
 (R349 billion)

Headquartered in Johannesburg, South Africa, with a primary listing on the Johannesburg Stock Exchange (JSE) in South Africa and A2X in South Africa  
 Secondary listing in Namibia and A2X in South Africa

Subsidiary banks listed on exchanges in Kenya, Malawi, Namibia, Nigeria and Uganda

# INTRODUCTION

Standard Bank Group's climate strategy is grounded in our group purpose: Africa is our home, we drive her growth. Our approach is two-pronged: We commit **to enabling Africa's just energy transition** and to **prudently managing climate risk**.

## A just energy transition

Africa's population is growing and urbanising. Africa's population is expected to almost double between 2018 and 2040. Energy demand is expected to grow by as much as 60% by 2030.<sup>1</sup> Africa requires sustainable energy supply to power industrial production, electrify more households and expand transportation to enable the ease of movement of people and goods. UNCTAD's 2023 special report on access to electricity in sub-Saharan Africa notes that access to energy (reliable and affordable access to cooking facilities and electricity) is vital to economic and human development and is crucial to achieve almost all the United Nations Sustainable Development Goals (UN SDGs), including good health and access to healthcare, access to quality education, safe drinking water and sanitation. But Africa currently suffers from severe energy poverty. 52% of Africa's population, 600 million people, have no access to electricity<sup>2</sup>.

## Managing climate risk

Africa is highly exposed to climate risk. Science shows that human-caused climate change is accelerating and the resulting damage to society, economies and the environment is getting more frequent and severe. The latest report from the Intergovernmental Panel on Climate Change (IPCC) indicates that North Africa and West Africa are particularly vulnerable with 1.5°C to 3°C expected temperature increases, which pose significant threat to populations' health, productivity and food security<sup>3</sup>.

One in three people in Africa currently face water scarcity, and the proportion is rising. In 2023, severe tropical cyclone Freddy traversed the southern Indian Ocean for more than five weeks, causing immense damage and loss of life in five southern African countries. The Horn of Africa experienced severe drought, resulting in 23 million people facing hunger, followed by heavy rains and flooding, impacting five million people in the region. A recent study indicates that climate change places 200 million Africans at risk of severe hunger, reduce the value of farmland by up to 61% and cut average gross domestic product per capita by 7.1% over the next 25 years.<sup>4</sup>

## An approach grounded in Africa's reality

Africa needs to find a path forward that meets growing demand for electricity while also tackling the climate crisis. The continent's potential for economic growth, and ability to deliver on the SDG goals, is heavily dependent on balancing actions to curb greenhouse gas (GHG) emissions with actions to expand access to electricity. A just transition must balance access to electricity, energy security, food security, economic growth and human development with the decarbonisation required to mitigate the impacts of climate change.

Africa has made very little contribution to this crisis. Africa accounts for less than 4% of global GHG emissions<sup>5</sup>. When South Africa and Nigeria are excluded, this drops to less than 0.5% of global emissions. African countries have ratified the Paris Agreement and committed to the global goal of keeping average temperatures within 1.5 degrees above pre-industrial levels. These commitments have been made in line with the principle of common but differentiated responsibility, that allows developing countries to move at a slower pace than developed countries.

Several major African economies are highly dependent on fossil fuels for government revenues and their own energy requirements. A rapid move away from fossil fuels in these countries is not economically feasible for their economies and would have a significantly negative impact on their people. Further, African nations have the right and urgent duty to develop their natural resources and economies to improve their people's lives. We believe that the poorest African countries should not be prevented from using their non-renewable resources and should be able to borrow for, and invest in, diverse forms of energy generation and industrialisation. A just transition in Africa thus includes a substantial role for transition fuels like natural gas.

1. Africa Energy Outlook 2022, International Energy Agency (IEA).
2. Commodities at a glance: Special issue on access to energy in sub-Saharan Africa, UN Conference on Trade and Development (UNCTAD), 2023.
3. UN Economic Commission for Africa (ECA), November 2023, <https://www.uneca.org/stories/17-out-of-the-20-countries-most-threatened-by-climate-change-are-in-africa%2C-but-there-are>.
4. The Socioeconomic Impact of Climate Change in Developing Countries in the Next Decades: A review, Philip Kofi Adom, February 2024, Wits University, for the Center for Global Development.
5. UN Fact Sheet on Climate Change, [https://unfccc.int/files/press/backgrounders/application/pdf/factsheet\\_africa.pdf](https://unfccc.int/files/press/backgrounders/application/pdf/factsheet_africa.pdf)

## Impact in 2023

- **The finance we provided for renewable energy was 5.39 times greater than our financing of non-renewable energy**
- We financed **eight** government-procured projects totalling **729MW** and **two** private decentralised energy projects
- We disbursed **R2 billion** in finance to business and commercial clients for **rooftop solar** and other **renewable energy solutions** and
- **R1.1 billion** to homes that are green-aligned.



## Standard Bank's commitment

We are committed to the goals of the Paris Agreement and the UAE Consensus adopted at COP28 in December 2023. Our group ambition is to achieve net zero across our lending and investing activities by 2050, and in our direct operations by 2030 for newly built facilities, and by 2040 for existing facilities. We play a critical role in providing the finance needed for individuals, businesses and economies to achieve climate resilience and mitigate emissions.

**Enabling Africa's just energy transition is central to our strategy.** These efforts are led by the relevant business units. We continue to expand our financing for renewable energy, distributed energy systems, and associated energy infrastructure. We are working with our clients to support their energy transitions, improved energy efficiency, and decarbonisation. We offer various solutions to support households, small businesses, and farmers across Africa to shift to more energy efficient and renewable energy solutions. This report includes details on how we are enabling Africa's just energy transition in numerous sectors and market segments.

**We prudently manage climate risk through a group-led climate risk management programme** that integrates climate-related risks into the overall risk management framework as a transverse risk that impacts other risk types. Our most material exposure to climate risk is through our credit risk exposures – through lending to clients who are exposed to physical and transition risks associated with climate change. We have implemented a group climate policy with targets to reduce exposure to certain sectors and activities over time, specifically high-emitting sectors. We are also analysing the impact of climate risk on other financial risk types such as market risk and assessing the impact on business continuity and reputational risk.

Our climate risk management programme includes building capabilities to run climate scenario analysis and stress-testing. We are also working to decarbonise our own operations and ensuring the resilience of our operations in the face of physical and transition risk.

We are investing in our internal capabilities, to ensure we are well-placed to serve our clients on their sustainability journeys. In 2023 we implemented **targeted** training to improve employee understanding of climate risk and enhance the quality of climate risk analysis, to inform credit decisions. This included introductory, intermediate and advanced training on sustainability, and ESG and climate-related risk management.

Our objective is to:

- Build awareness and understanding of SBG's sustainable finance framework and objectives across the group
- Strengthen the capacity of client-facing employees to engage meaningfully with clients on climate risks and partner with them to provide appropriate solutions
- Ensure climate risk is appropriately integrated into environmental and social risk assessment and credit risk decisions.

Information about our training programmes is available in our [Report to Society](#). We are also accelerating efforts to recruit more full-time resources dedicated to climate risk management.

SBG operates across 20 African countries and multiple economic sectors. We have taken a phased approach to setting climate targets and commitments taking account of government policy and regulatory frameworks, the pace of the transition pathways afforded to developing countries by the Paris Agreement, sector transition pathways and available technologies, together with the level of material exposure to risk and opportunity within our lending portfolio.

This report provides an update on our commitments and targets in relation to phases one and two of our climate commitments, and outlines our plans in respect of phase three for the year ahead.

We are committed to reviewing our climate targets and commitments, at a minimum on a three-year cycle from the date of adoption (March 2022). Per our [SBG Climate Policy](#) (section 5), this review will take place by no later than March 2025.

This report also provides details of our climate risk management programme, and how we are engaging with our clients to help them mitigate their climate impacts and strengthen their resilience.

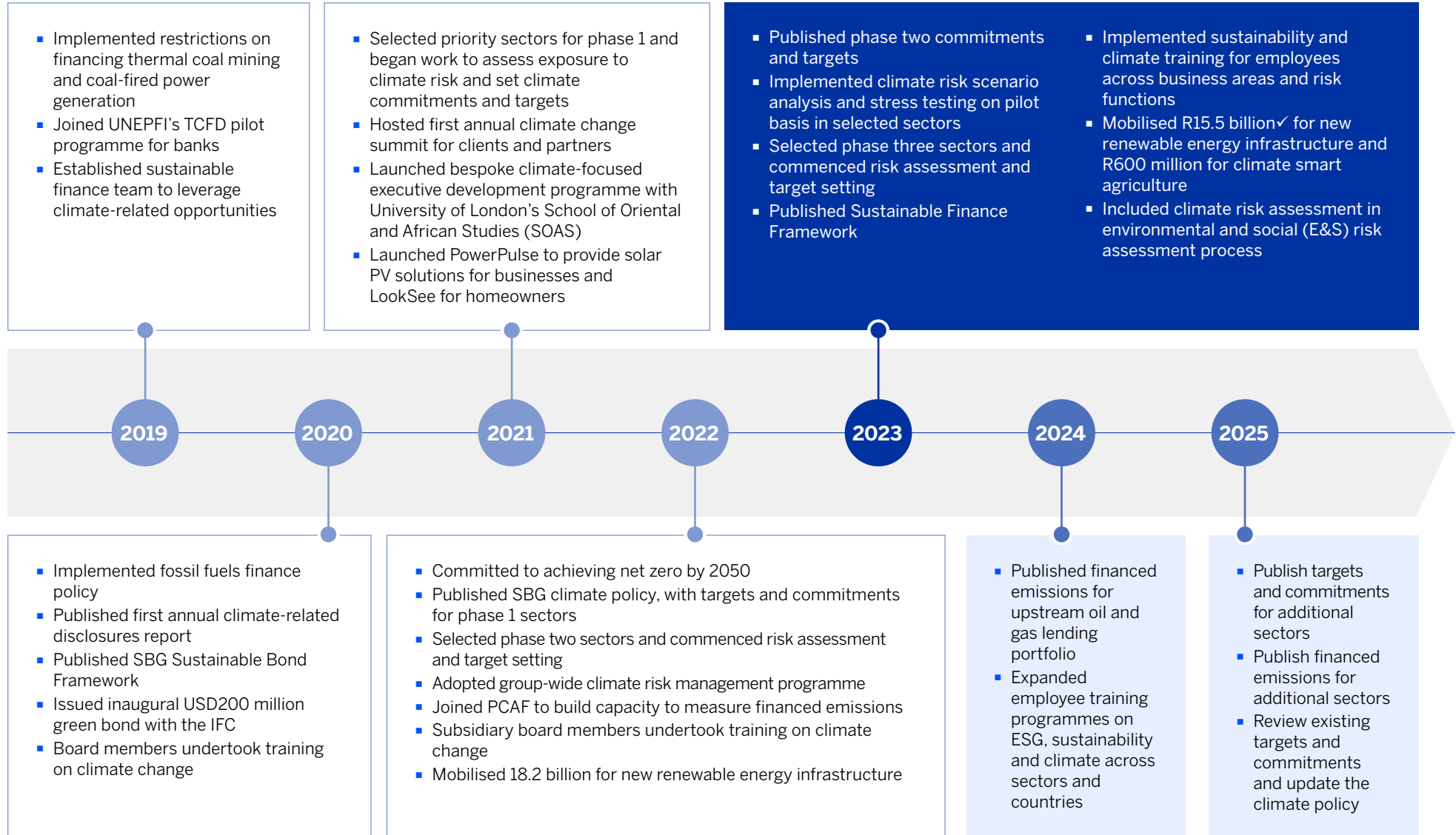
## Phased approach to publishing climate targets and commitments

Phase one (2022)	Phase two (2023)	Phase three (2024)	Phase four (2025)*
<ul style="list-style-type: none"> <li>■ Sustainable finance</li> <li>■ Renewable energy</li> <li>■ Thermal coal</li> <li>■ Coal-fired power generation</li> <li>■ Oil</li> <li>■ Natural gas</li> <li>■ Agriculture</li> <li>■ Direct operational footprint</li> </ul>	<ul style="list-style-type: none"> <li>■ Residential real estate and personal lending</li> <li>■ Commercial real estate</li> <li>■ Short-term insurance</li> </ul>	<ul style="list-style-type: none"> <li>■ Downstream oil</li> <li>■ Downstream natural gas</li> <li>■ Long-term insurance</li> <li>■ Asset management</li> <li>■ Transportation</li> </ul>	<ul style="list-style-type: none"> <li>■ Mining</li> <li>■ Metallurgical coal and steel</li> <li>■ Cement and construction</li> </ul>

\* Subject to change



## SBG's climate journey highlights







# GOVERNANCE AND OVERSIGHT

## Board's role

Our board is responsible for guiding the group's strategy and overseeing our progress against our strategic priorities and related value drivers, including the delivery of positive impact on society, economies and the environment. The board is also responsible for assessing the effectiveness of our risk management processes, including ESG risk and climate risk. Climate risk management oversight is delegated to two board subcommittees. Board committees meet quarterly and provide feedback to the full board.

### Board Subcommittees

#### Group social, ethics and sustainability committee (GSESC)

- Oversees implementation of the group's climate policy, monitors progress against our climate commitments and targets and ensures alignment between our climate commitments and SBG's strategy.
- Reviews and discusses quarterly climate risk management updates from the business sectors and interrogates progress against the group's climate commitments and targets at sector level.

#### Focus in 2023

- Approved the selection of sectors for phase three assessment and target setting.
- Reviewed first set of financed emissions measurements and disclosures for the group's upstream oil and gas portfolio.

#### Group risk and capital management committee (GRCMC)

- Reviews and discusses quarterly updates on the group's management of climate risk and progress in respect of integrating climate risk management into the enterprise-wide risk management framework.
- Oversees management's progress toward developing appropriate methodologies and tools to assess financed emissions and monitors progress in terms of the group's capacity to measure and disclose financed emissions.

#### Focus in 2023

- Climate risk was one of the South African Prudential Authority's Flavour of the Year topics for 2023. The SBG chairman presented this topic to the PA on behalf of the board. The focus was on organisational resilience and climate-related risk and potential impacts on business model and strategy, governance and leadership in respect of climate risk management, risk appetite, approach to scenario analysis and stress testing, internal reporting and external disclosures.

#### Country and regulated entity

**boards** are responsible for overseeing climate-related risk management and alignment with the group climate policy and targets at country level.

#### Looking ahead

The board is committed to strengthening its climate-risk management expertise. It continues to develop its understanding of climate finance, climate risks and the energy transition. Where necessary, external expertise is consulted.

The board is aware of global developments calling for greater disclosure of biodiversity and nature risk. The board will review management's plans to assess and address nature-related financial risks in 2024.





## Management's role

### Group Leadership Council (GLC)

#### Oversight and guidance

- Constituted by the group chief executive, highest management structure, meets monthly
- Ensures appropriate governance structures, policies, processes are in place to identify and resolve risks and strengthen risk culture
- Approves group policies and standards and monitors adherence
- Drives alignment between strategy and effective ESG risk management and ensures business ownership and accountability
- Oversees conduct dashboards
- Oversees implementation of climate policy and targets
- Reports to the SBG board on progress
- Assesses reports from business units on progress against the group's climate commitments and targets.

## GLC sub-committees

### Social and ethics management committee (SEMCO)

### Group risk oversight committee (GROC)

#### Oversight and guidance

- Chaired by Standard Bank South Africa (SBSA) CE, reports to group social, ethics and sustainability committee, meets quarterly
- Oversees group's social, economic and environmental impact, including climate-related impacts
- Monitors stakeholder issues and concerns based on group-wide input
- Ensures alignment with code of ethics and conduct, human rights statement, E&S risk management framework, climate policy and targets
- Receives quarterly reports on progress against the group's climate policy commitments and targets
- In 2023, approved selection of sectors for phase 3 assessment and target setting.

- Chaired by group chief risk and corporate affairs officer, reports to group risk and capital management committee, meets quarterly
- Oversees financial and operational related risk, including ESG risk management by risk committees and mandated forums, including client and transaction screening and due diligence to assess potential social/human rights and environmental impact
- Approves relevant risk governance policies
- Promotes culture of effective risk management.

- Reviews and recommends group risk appetite
- Ensures effective E&S risk management in line with group risk appetite
- Ensures climate-related risk identification, classification, analysis, monitoring and reporting is embedded in enterprise-wide risk management system including client and transaction screening and due diligence
- Tracks progress against the integration of the climate risk management programme adopted in 2022.

**Business units and legal entities** have strategy and governance committees that oversee climate work in their respective areas, and which recommend climate targets and commitments to group-wide governance committees for approval.

### Portfolio management committee

- Oversees credit exposure at sector and country level

### Group non-financial risk committee

- Oversees non financial aspects of ESG and climate risk



### Three lines of defence

Our three lines of defence model sets out the responsibilities of individuals and teams to ensure that risks are adequately considered and managed.



#### First line

- **Business units** are responsible for assessing and managing climate risk in relation to their activities. Within each business unit, sector heads drive climate-related work and ensure engagement with clients. For example, executives leading the group's agriculture business monitor climate-related issues relevant to the agriculture sector, while executives leading the group's residential real estate business monitor issues pertinent to home loans.
- Business engages with group risk and other corporate functions (including compliance, legal, people and culture, procurement, third-party risk management) to ensure that climate risk management is integrated into existing enterprise-wide systems and frameworks, including client onboarding and review, transaction screening and monitoring, portfolio management, third-party risk management, procurement and product development.
- Business is responsible for implementing sector-specific climate commitments and targets and reporting progress to their strategy and governance committees. These committees oversee climate work in their respective business units, recommend climate targets and commitments to group-wide governance committees for approval, and provide quarterly progress reports to the GLC on progress against commitments and targets. The committees are chaired by the business unit chief executives.

#### Second line

- **Group risk functions** identify, measure, monitor and report risk on an enterprise-wide basis, independently from the first line.
- The group chief risk officer is accountable for ensuring that climate risk is integrated into the enterprise-wide risk management framework.
- Chief risk officers in each business unit are responsible for implementing the climate risk management framework in their areas.
- Group environmental and social risk (GESR) is responsible for ensuring the group's lending activities align with group environmental and social risk policies, and international standards of best practice. GESR works with business and credit teams to assess and monitor climate risks.
- Country risk focuses on climate change in relation to sovereign risk.
- Group sustainability collates and reports relevant developments for different audiences across the group, including the group risk strategy committee, group leadership council, and the board.

#### Third line

- In 2023, **internal audit** initiated an assessment of the group's environment and social risk management process, and the group's process for reporting against the climate commitments and targets. The process will be concluded in the first half of 2024, following which action plans to address areas for improvement will be developed.

# CLIMATE STRATEGY

## Enabling Africa's just energy transition

SBG's strategic priorities are transforming client experience, executing with excellence, and driving sustainable growth and value. The latter includes achieving positive financial returns for our shareholders, and positive impacts for the societies in which we operate. We recognise climate risk as a material risk to achieving these objectives.

Our efforts to create positive impact include helping Africa's people access affordable and reliable energy supply, to drive economic growth and human development. Securing a just energy transition means ensuring that decarbonisation efforts must take place in parallel with efforts to address Africa's huge energy deficit and enable access to affordable power for communities.

We are positive about the opportunities presented by the transition, and we are working closely with our clients, from multinationals to individual homeowners, to ensure we capitalise on these. We provide a range of sustainable finance solutions for clients, including green bonds and loans, to support the delivery of positive impact. We are a leading provider of finance for renewable energy infrastructure in Africa. We also provide solutions to strengthen resilience for business owners and homeowners, including rooftop solar installations.

We will continue to grow our loan book for transition and green finance, in line with our credit risk appetite, to support our clients' participation in a just energy transition. We have targets to increase mobilisation of sustainable finance solutions, including for mitigation of and adaptation to climate change. Information about our sustainable lending framework and recent deals can be found in our [sustainability disclosures report](#).

In developing sector commitments and targets, we consider various sources of information, including:

- Network for Greening the Financial System (NGFS) climate scenarios and transition pathways<sup>1</sup>
- National energy plans, and energy supply and demand, in our countries of operation
- The availability of new and emerging technologies/energy sources to support transition at country and client level
- Policy frameworks and regulatory requirements (prudential and environmental) at country level, and applicable voluntary standards (such as the Equator Principles)
- The contribution to GHG emissions attributable at sector level, and emissions data and transition pathways for the sector
- The needs of our clients, their exposure to physical and transition risk, and their plans for risk mitigation and transition
- Credit risk appetite at group and business unit level
- The social, economic and environmental risks associated with different courses of action.

<sup>1</sup> The NGFS is a coalition of central banks and supervisors set up to contribute to climate and environment related risk management for the financial sector, including the development of climate scenarios.



## Integrated energy

The global energy transition involves governments, companies and individuals shifting from non-renewable to renewable energy sources, in an effort to reduce GHG emissions and mitigate climate change. Supply and cost considerations impact demand and drive efficiency solutions. The transition offers immense potential for Africa and its people, but navigating its complexities requires a multi-faceted approach.

SBG believes that integrated energy offers an inclusive and comprehensive approach for Africa's energy transition, combining non-renewable and renewable energy sources to ensure reliability, sustainability, and efficiency. We support an energy mix that includes traditional carbon-based fuels like coal and oil, transition fuels such as natural gas, and renewable sources like solar, wind, and hydro.

To support Africa's just energy transition we have created a single consolidated energy and infrastructure team, replacing the sector specific structure we used previously. This helps us ensure that we can holistically address our clients' needs. We are also investing in tailor-made learning opportunities for our people to ensure a strong understanding of the nuances of the energy transition, so that we can more effectively support our clients on their transition journeys.

Given our wide geographical footprint, and the historical dependence of much of the world, including Africa, on non-renewable energy sources to provide electricity, fuel and heating, our portfolio inevitably includes substantial exposure to fossil fuels. Our new lending, however, shows a different pattern.

In 2023, we provided **5.39 times more finance for renewable energy power generation** compared to non-renewable energy power generation. This includes on and off balance sheet loans and advances and our equity risk and ordinary share holdings exposures.

Renewable power generation includes exposures to entities involved in acquisition of, construction, generation or maintenance of renewable power and associated infrastructure for:

- Wind, solar photovoltaic (PV), concentrated solar power (CSP) or ocean power
- Small scale hydropower (<25MWh, run-of-river hydropower with low storage capacity)
- Hydropower with:
  - Life cycle carbon intensity of <100g CO<sub>2</sub>e/kWh, or
  - Power density >10W/m<sub>2</sub> for facilities that become operational after 31 December 2019, or >5W/m<sup>2</sup> before 31 December 2019
- Biogas or biomass power from water materials or certified sustainable crops
- Geothermal power projects emitting <100gCO<sub>2</sub>e/kWh
- Production of green hydrogen and associated green ammonia production and transportation,
- And use as consumers of:
  - Commercial asset finance for renewable power generation (mainly solar)
  - Personal lending finance for the sourcing of solar PV power.

Non-renewable power generation includes exposures to power utilities and other clients that:

- Own and operate coal-fired, oil-fired, or natural gas-fired power plants
- Use as consumers of commercial asset finance for acquisition and use of diesel power generation facilities.



We believe that our integrated energy approach facilitates a balanced and just energy transition, accommodating the social, environmental and economic dimensions of energy. We have prioritised six energy transition levels.

Energy transition levers	Description	Market size
<b>Renewable energy (supply-side)</b>	<ul style="list-style-type: none"> <li>We recognise the critical role of renewable energy in decarbonising Africa's energy supply. Africa is home to 60% of the world's highest quality solar resources but only 1% of installed capacity. We aim to lead Africa's just energy transition.</li> </ul>	<ul style="list-style-type: none"> <li>Annual investment of renewable energy projects until 2030 in Africa: <b>USD50 billion<sup>1</sup></b></li> </ul>
<b>Decentralised energy (demand-side)</b>	<ul style="list-style-type: none"> <li>We are working with clients and partners to enable diversification from centralised utilities to decentralised, off-grid, captive power including embedded power generation, wheeled power and aggregator models</li> <li>Distributed energy systems provide reliable power to energy intensive users such as the mining, industrials, consumer and cement sectors</li> </ul>	<ul style="list-style-type: none"> <li>Current opportunities in Africa: <b>USD127 billion<sup>2</sup></b></li> </ul>
<b>Gas as a transition fuel</b>	<ul style="list-style-type: none"> <li>Natural gas will play an important role in the transition from the use of carbon-intensive energy sources like wood and coal to more efficient energy sources for households and companies like LPG and natural gas. The IEA Net Zero Emissions scenario allows for demand for natural gas in the energy mix to 2050. We will continue to finance gas over the medium- to long-term subject to conditions outlined in our group climate policy.</li> </ul>	<ul style="list-style-type: none"> <li>Estimated planned expansion of gas infrastructure: <b>USD245 billion<sup>3</sup></b></li> </ul>
<b>Critical minerals</b>	<ul style="list-style-type: none"> <li>Natural resources critical to the world's green transition include copper, cobalt, lithium and nickel. We plan to increase our investment in countries African countries rich in these resources. This includes financing infrastructure development to enable the processing and export of critical minerals to support the global energy transition.</li> </ul>	<ul style="list-style-type: none"> <li>Annual global demand for critical minerals from clean energy technologies: <b>USD400 billion<sup>4</sup></b></li> </ul>
<b>Green hydrogen</b>	<ul style="list-style-type: none"> <li>Africa has the potential to become a major producer of green hydrogen (from water and renewable electricity by electrolysis). We are exploring investment opportunities in this regard.</li> </ul>	<ul style="list-style-type: none"> <li>Estimated project investment in SA (Green Hydrogen Pipeline) and Namibia (Hyphen Energy): <b>USD25 billion to 35 billion<sup>5</sup></b></li> </ul>
<b>Transport</b>	<ul style="list-style-type: none"> <li>We are exploring opportunities to support cleaner, more efficient transport, particularly electric vehicles using electricity that can be sourced from renewables, infrastructure such as charging stations, and battery technologies.</li> </ul>	<ul style="list-style-type: none"> <li>Investment needed in sub-Saharan Africa to achieve decarbonisation to 2030: <b>3% of GDP (USD60 billion per annum)<sup>6</sup></b></li> </ul>

1 International Energy Agency (Africa Energy Outlook 2022).  
 2 The World Bank (Energy Sector Management Assistance Programme).  
 3 Global Energy Monitor and National Business Initiative.

4 International Energy Agency.  
 5 Energy Global.  
 6 The World Bank and NBI.



The table below provides a summary of our commitments. Detail on our progress is available in 'Sector focus', below.

Sector	Commitment/target <sup>1</sup>	Timeframe	Current status (as at 31 Dec 2023)
<b>Phase 1 (from March 2022)</b>			
<b>SBG own operations</b>	▪ Net zero for newly built facilities	2030	4.6% reduction against target of 4.2%
	▪ Net zero for existing facilities	2040	Alignment to Green building standards
<b>Sustainable finance</b>	▪ Mobilise +R250 billion sustainable finance across all banking products. This includes green finance, partnering with clients to support their energy transitions through use-of-proceeds, sustainability linked and transition solutions that support the energy transition, together with social finance solutions.	2022-2026	R105.1 billion <sup>✓</sup> (42% of target)
<b>Renewable energy power plants</b>	▪ Mobilise R50 billion finance and R15 billion underwriting for development of new infrastructure	2022-2024	R33.6 billion (52% of target)
<b>Thermal coal, coal-fired power</b>	▪ Limit thermal coal exposures as a percentage of group loans and advances	0.5% by 2030	0.35%
	▪ Reduce finance (as a % of total group advances) to existing power sector clients generating power predominantly from coal. Clients must provide emissions reduction strategies in advance of financing.	0.15% by 2026 0.12% by 2030	0.05%
<b>Oil</b>	▪ Reduce group advances to upstream oil by 5%	2030	34.59% increase <sup>2</sup>
	▪ Reduce finance (as a % of total group advances) to clients generating power mainly from oil	0.03% by 2026 0% by 2030	0.05%
<b>Natural gas</b>	▪ Limit finance (as a % of total group advances) to standalone gas-fired power plants providing general baseload, mid-merit or peaking power	0.75% by 2026	0.57%
<b>Phase 2 (from March 2023)</b>			
<b>Agriculture</b>	▪ Disburse R7 billion (cumulative) in climate smart agriculture finance by 2030 (inclusive of R2 billion by 2025)	2030	R916 million
<b>Commercial real estate</b>	▪ Mobilise >R30 billion in sustainable finance from 2022 to 2026 for the CRE sector	2022-2026	R20.57 billion
<b>Residential real estate and personal lending</b>	▪ Disburse R1.1 billion across various products for green-aligned financing <sup>3</sup>	2023	Target achieved

<sup>1</sup> Sector exposure targets exclude Liberty's LibFin credit portfolio, which has its own targets, expressed in terms of absolute lending.

<sup>2</sup> Refer to page 26 for detail.

<sup>3</sup> Loans and advances used to finance products or houses that are designed, built, or have solutions that have a favourable, or less harmful impact on the environment, and are verified or certified.



## Advocating for Africa and engaging with stakeholders

Addressing climate change is a systemic challenge requiring partnerships and dialogue with multiple stakeholders. Our climate strategy includes advocating for Africa in various forums to ensure that the continent's specific opportunities and risks are considered.

### Engagement with regulators and industry bodies

We seek to influence global standard-setting initiatives to ensure that the realities confronting banks in Africa are taken into consideration. We engage through forums such as the Banking Board of the United Nations Environment Programme Finance Initiative (UNEP FI), the Board of the Institute for International Finance, and country-level industry associations, including the Banking Association of South Africa.

We monitor regulatory developments related to climate risk from local banking supervisory authorities, authorities in other jurisdictions, the Basel Committee on Banking Supervision and the Financial Stability Board. We have regular engagements with our prudential supervisors in our countries of operation, to discuss their expectations of climate risk management by banks.

Engagements with regulators in 2023 focused on issues such as:

- Financial and non-financial risks associated with climate change, including social risks
- Regulatory measures to tackle greenwashing
- Taxonomies in relation to and regulation of sustainable finance products and services.

We engaged with the South African Prudential Authority on climate risk management and stress-testing, which included meetings with the board chairman and executive management. We also engaged with the South African government on resilience planning in the event of disruption to services owing to prolonged electricity outages and participated in the development of South African energy crisis plan with contingency measures in the event of a blackout.

We participated in multiple trade association engagements on climate change, at global, regional and national levels. Priorities included:

- How to deliver access to energy while reducing emissions
- Financing the energy transition
- How to secure a just energy transition
- Opportunities in infrastructure investment
- Challenges in developing standardised ESG taxonomies and disclosure frameworks.

Within these forums, we supported the position adopted by many African regulators and business leaders that Africa has a right to determine our own response to the climate crisis, and a right to responsibly develop the continent's resources in pursuit of sustainable development. We also supported calls for the establishment of a fund for 'loss and damage' to assist developing countries to mitigate and adapt to climate change.

Policy and regulatory developments in 2023 included:

Policies, regulations and frameworks	
South Africa	Climate Change Bill – to provide for setting of sectoral emission targets, allocation of a carbon budget, introduction of a climate change finance mechanism and development of adaptation and mitigation strategies, 2023
	Proposed Guidance Notes on Climate-related disclosures and climate-related risk practices for banks, Prudential Authority, 2023
	Draft Renewable Energy Masterplan, Department of Mineral resources and Energy, 2023
	National Treasury's Green Finance Taxonomy Research, 2023
	Climate Smart Agriculture in South Africa, Draft Roadmap, IFC, 2023
Just Energy Transition Investment Plan (JET IP) 2023-2027, which sets out the investments required to achieve South Africa's Nationally Determined Contribution	
Zimbabwe	Climate Risk Management Guideline, Reserve Bank of Zimbabwe, 2023
UK	UK Parliament Policy Enquiry: UK-Africa Partnerships for Just Energy Transitions, UK Parliament, 2023
Global	IFRS S2, Climate related disclosures, ISSB, 2023
	Reporting requirements in respect of the Carbon Border Adjustment Mechanism (CBAM), EU, 2023
	Principles for the effective management and supervision of climate-related financial risks, BCBS, 2022
	Supervisory and regulatory approaches to climate-related risks, FSB, 2022





## Engagement with clients

Engagement on climate risk and opportunity is undertaken as part of ongoing client discussions, including those led by client relationship managers.

Engagements take place across portfolios and sectors on an ongoing basis, and we actively explore solutions such as sustainability linked or use of proceeds loans with clients.

Engagements may also be initiated as part of the E&S screening process, particularly in sectors with elevated climate risk. All Equator Principles transactions are subject to climate risk assessment. We are engaging with clients in sectors at risk of imposition of carbon taxes, as part of ongoing business discussions, as part of the E&S due diligence engagements for new transactions, and as part of the annual client E&S screening process of clients operating in high carbon emitting sectors. Information about our E&S risk management system is available in our [sustainability disclosures report](#).

We review client transition plans in cases where clients publicly disclose this information. We recognise the need to further develop in-house capacity to assess the credibility and feasibility of transition plans. To improve data collection and ensure a more comprehensive and structured process to collect and maintain relevant data, we plan to develop more structured engagement guidelines and implement a framework to gather and analyse engagement data. Group risk is working with business to develop questionnaires to source specific physical and transition risk data from clients. We will pilot this in 2024, with a sample of clients across several sectors in CIB and BCB. We will use the outcomes of the pilot to develop a holistic approach to client engagement.

We host regular forums to engage clients and other stakeholders on emerging issues in relation to climate risk and opportunity.

Examples include:

- Our annual Climate Summit, held in collaboration with SOAS at our global leadership centre in Johannesburg. The summits bring together government leaders, policy makers, climate experts and SBG clients, to discuss progress on tackling climate change, managing risks and capitalising on opportunities. 2023 marked our third summit, which focused on scaling up industry transitions and how the global North and South can jointly tackle climate change in a just and equitable manner.
- BCB's Sustainability Client Academy, run in partnership with Microsoft. Over 50 clients from seven countries participated in the pilot in 2023. The academy will be available to all BCB clients from 2024.
- Country and sector-level client engagements, including an Energy Indaba in Eswatini, attended by over 100 BCB clients, where we provided with information about sustainable energy and sustainable finance solutions relevant to clients' businesses.
- Integration of climate modules in BCB's agribusiness curriculum

Our LookSee Knowledge Hub received over 260 000 visitors in 2023. We have published over 175 articles focused on helping home-owners with home efficiency knowledge and insights.

An SBG delegation attended COP28 in Dubai in December 2023. We met with a range of government officials and clients and participated in several panel discussions and side-events.

Our engagements included Stanbic IBTC Nigeria signing a memorandum of understanding with the Rural Electrification Agency of Nigeria, to the value of N30 billion, to finance mini grid and solar home systems in Nigeria.

In setting our climate commitments, and engaging with our clients on their climate risk management and transition plans, we use the following timeframes:

### Timeframes

We have defined the following timescales for short, medium, and long term:





# PRUDENTLY MANAGING CLIMATE RISKS

## Risk governance and management programme

SBG recognises climate risk is a material risk to the group's ability to implement our strategy and achieve our purpose. We manage climate risk within the enterprise risk management framework. Our Risk and Capital Management Report provides more information on the group's risk management policies and standards.

Climate risk is included as a stand-alone risk type in the group risk taxonomy. It is identified as a transverse risk that arises from exposure to the physical and transition risk drivers associated with climate change, in respect of our own operations, and more materially from lending to, investing in and otherwise transacting with our clients and counterparties. Financial risk includes potential increases in impairments, decline in collateral valuations and adjustments in credit ratings. Our risk assessments are informed by our internal expert knowledge on the inherent risks in relevant sectors and industries, assessment of potential future transition pathways, and the potential impact of extreme and chronic physical risk events on the financial performance of some of our counterparties.

### Our risk management processes include:

- Transaction and counterparty level identification and assessment, including integration of climate-related risks into E&S risk assessment processes
- Integration of climate risk into existing risk frameworks, including credit risk, market risk, business resilience and insurance risk
- Portfolio level monitoring and reporting, including a process to set sector level qualitative risk appetite statements (this work is underway).

Physical and transition risk are present across our presence countries and operations, with varying levels of intensity:

- **Physical risk** is the risk of financial loss arising through more frequent and extreme climate change related events, such as storms, wildfires, droughts and other physical hazards; and chronic longer-term changes in climate, such as changing precipitation patterns, rising sea levels and average temperature rises.
- **Transition risk** is the risk of financial loss arising as a result of changes at microeconomic (individual and corporate) and macroeconomic (economy and country) level, owing to changes to legislation, business practices, technologies, market demand and public sentiment associated with the effort to reduce global carbon emissions.



Risk type	Description	Potential impact	Likely timeframe
<b>Physical risk</b>			
Acute physical risk	More frequent and severe weather events impacting infrastructure, operating assets, business continuity	Credit risk, particularly for clients in residential and commercial property. Insurance risk in relation to homeowners cover.  Write-offs and early retirements of existing assets.  Risk to own operations potentially impacting ability to deliver services (interruptions to power, telecoms, office and branch infrastructure)	Short-term
Chronic physical risk	Reduced access to natural resources, including water, soil, and stable temperatures	Credit risk, particularly for clients with high dependence on hydropower in parts of East Africa; agribusiness clients; and residential and commercial property clients. Increased operational costs due to e.g. procuring potable water.	Long-term
<b>Transition risk</b>			
Policy risk	Carbon taxes may impact client profitability	Credit risk, particularly for clients in high-emitting sectors with less diversified revenue streams, who will face rising costs; and export dependent clients who may lose access to international markets (e.g. as a result of EU Carbon Border Adjustment Mechanism).	Medium-term
Technology risk	Companies may have to adopt new and disruptive technologies to remain competitive	Clients in high-emitting sectors will face increased costs to adapt and deploy new practices to respond to emerging rival technologies, e.g. non-renewable energy generation-based sectors, manufacturers of petrol/diesel based vehicles.	Medium-term
Market risk	Declining demand for products and services with a high carbon footprint, driven by preferences for lower emissions alternatives	Clients in high-emitting sectors including non-renewable power generation may face decline in market value, earnings or future cash flows, impacting financial instruments held by SBG.  Bonds and equities issued by counterparties in the coal and oil sectors may be at risk of value erosion in a disorderly transition that impacts market prices.  Transport and auto sectors face policy uncertainty and market changes.	Medium to long-term



Risk type	Description	Potential impact	Likely timeframe
<b>Transition risk</b>			
Liquidity risk	Climate-risk related events or conditions may result in an inability to access sufficient funding to meet payment obligations when they fall due	Emerging markets and regions with higher climate risk are more sensitive to the potential for deposit withdrawals driven by external shocks such as climate events. These risks could also crystallise off-balance sheet commitments requiring immediate financing.  Prudential regulations may become more severe, limiting available market funding and increased refinancing risk.	Long-term
Legal risk	Risk of financial or reputational loss arising from lack of awareness, misunderstanding of or ambiguity in application of law and regulation to the business, its relationships, processes, products and services	Climate-related litigation raises client risk and third-party risk. Globally, there is increasing litigation against both public and private actors to compel them to implement more ambitious actions against climate change.	Medium-term
Sovereign risk	Risk of climate change directly or indirectly impacting public finances at country level, through fiscal impacts of physical climate risks and mitigation and adaptation policies	Risk to operating environment and macro-economic conditions, potential to raise cost of capital in climate-vulnerable countries and create risks to debt sustainability.  Potential impact on social cohesion, political stability and security in SBG's countries of operation.	Medium to long-term
Reputational risk	Risk of potential or actual reputational damage which may impair business profitability and/or sustainability	SBG's commitment to finance non-renewable energy projects within strict parameters is criticised by some stakeholders and in some instances has led to negative press coverage and protests. Risks impacting SBG's ability to maintain existing or generate new business relationships and access funding.	Short-term



## Climate risk management programme

Our climate risk management programme outlines roles and responsibilities for business units and the group risk. It focuses on four areas.

Focus areas	Priorities in 2023
1. Metrics	<ul style="list-style-type: none"> <li>Developing appropriate climate risk metrics to support the development of a dashboard for ongoing board oversight.</li> </ul>
2. Governance and operating model	<ul style="list-style-type: none"> <li>Recognising climate-risk as a stand-alone, transverse risk, aggregating and reporting risk measurement results, including scenario analysis and stress testing, strengthening integration of climate risk into credit risk decision-making across banking activities</li> </ul>
3. Data architecture and management	<ul style="list-style-type: none"> <li>Sourcing climate data and applying globally approved methodologies toward measuring and disclosing financed emissions</li> </ul>
4. Scenario analysis and stress testing	<ul style="list-style-type: none"> <li>Acquiring models and tools to support scenario analysis and stress testing</li> <li>Developing internal capability to perform scenario analysis and stress testing of our portfolios under relevant regional-specific climate scenarios</li> <li>Incorporating qualitative climate risk drivers into portfolio-level risk appetite and developing a framework for future quantitative climate risk appetite statements</li> </ul>

## 1. Metrics

We are working to develop appropriate climate risk metrics to support the development of a dashboard, to support quarterly reporting to quarterly board committee meetings.

## 2. Governance and operating model

### Integration of climate risk in decision-making

We have classified climate risk as a transverse risk, which manifests across existing risk types (including credit and market). It is centrally managed as a stand-alone risk within group risk. The climate risk team provides guidance and coordinates information across the group, and is responsible for aggregation and reporting of risk measurement results, including scenario analysis and stress testing.

We are in the process of enhancing E&S screening across our banking activities, to strengthen the assessment of climate-related risks in credit risk decisions. This work is led by Group E&S risk (GESR) which is responsible for the group's E&S risk governance standard and policy, and the E&S screening tool. GESR engages with business to monitor compliance with the governance standard and policy and ensure effective use of the screening tool, so that E&S risks are correctly identified, evaluated and managed at client and transactional level. This includes ensuring alignment with international standards such as the Equator Principles and the IFC Performance Standards.

Business uses the E&S screening tool for transaction risk assessment and client risk assessment. In 2023, we enhanced the tool to include tagging of sectors as medium or high risk in relation to climate-related risk. Clients or transactions in medium and high-risk sectors must be referred to E&S specialists to advise on level of due diligence required and provide a recommendation to credit decision-makers. Use of the tool is well established across CIB. For corporate clients in high-emitting sectors, assessment includes whether the counterparty has a transition plan in place with credible commitments and targets. Within BCB, use of the tool is being expanded to apply a larger portion of the portfolio, and financing terms and conditions are being updated to incorporate ESG and climate risk management for more transactions. Within PPB, a climate risk working group is managing the integration of climate-related risk into credit and stress testing models, and a dedicated resource has been appointed to develop stress testing models that incorporate climate risk.

Risk appetite is mainly qualitative and is derived from sector targets in the climate policy. We assess the potential of new client relationships or deals on our sector exposure targets, taking into account any future repayments and roll-offs within the sector portfolios.



### 3. Data architecture and management

Limited access to client emissions data makes it difficult for banks to measure their financed emissions. We are working on identifying appropriate sources and tools to access and estimate credible emissions data.

The bulk of the data we have access to relates to listed corporates that continue to improve the quality of their disclosures. The data is, however, not disclosed in a standardised format. We supplement this through data from third party vendors. We continue to refine and standardise our sector classifications in a format that reflects the underlying nature of the activities of our counterparties and their vulnerability to climate risk.

In 2022 we became a member of the Partnership for Carbon Accounting Financials (PCAF), a financial industry led initiative that supports GHG measurement and disclosure by the financial sector. This membership enabled us to procure data from appropriate third-party providers, learn from peer networks, and engage our clients regarding our data needs.

We participate in the PCAF Africa working group, a regional collaboration between representatives from African banks. Through workshops and shared learning, the working group focuses on adapting and contextualising the PCAF Standard guidance for country and region specifics.

In 2023, we applied the PCAF methodology to assess financed emissions in relation to upstream oil and gas. In 2024 we will assess emissions financed, facilitated and insured across additional sectors.

The climate risk team in group risk is driving the establishment of standards for climate data management and assurance, with input from the business units. Our current approach is to use credible proxy indicators from third party vendors.

We are exploring commercially available climate risk analytics tools which we intend to use to supplement our internal data and modeling capability development. This will enable improved reporting and disclosures. It will also support our metric and target measurement, and our ability to run robust scenarios and stress test our portfolio.

### 4. Scenario analysis and stress testing

In developing our sector-level climate strategies we referenced the transition pathways defined in climate scenarios published by the NGFS. These scenarios are widely used for testing by commercial banks. They combine climate variables for transition and physical risk with macroeconomic and financial variables, enabling the quantification of climate risks and by extension credit-related risks.

We are building stress testing capacity at business unit and sector level, in advance of the South African Reserve Bank's mandated climate risk stress test (CRST) for banks in 2024. Scenarios will be provided by the SARB, derived from the NGFS. Banks will be required to model their estimates of potential financial impact, primarily credit risk related, under a range of different region-specific warming and transition scenarios over the short, medium and long term.

Work underway to strengthen our CRST capacity includes:

- Engaging with international peer banks and participating in industry forums, including the UNEP FI Climate Risk and TCFD Programme and ISDA Trading Book Climate Scenario Working Group.
- Incorporating public resources such as NGFS and international regulatory CRST results into the development of our CRST methodologies
- Developing scenarios at client and sector level to assess risk and enable evaluation against risk appetite. This included a pilot stress test of the agriculture portfolio in South Africa in 2023. We applied three NGFS scenarios to a sample of clients, and used information on their crops, livestock and financial positions to assess likely increases in credit risk to 2050 under each scenario. This learning will inform our approach to the sector as a whole.
- Geo-coding our real estate portfolio (commercial and residential), and homeowners' insurance cover book, to assess the potential impact of physical and hazard risk to property values, and potential underwriting risks. We will source climate scores from external parties and map these to properties to better understand the risks at granular level.

#### Climate risk appetite

Central to the integration of climate risk management is the development of a climate risk appetite framework within which risks can be measured and monitored. Our group risk appetite defines the nature and magnitude of risk that we are willing to take in support of our financial and strategic objectives. It reflects our capacity to sustain losses and continue to meet our obligations as they fall due, under normal and stressed conditions. In the case of climate-related risks, there are multiple dimensions around which risk appetite needs to be set, including sector and country level exposure to climate risk.

Our group climate policy is one form of expression of our appetite for lending to sectors we've identified as being sensitive to climate-related risks. The targets set for exposure concentration to these sectors reflect our intentions to align to our net zero commitments, and to contribute to mitigating the effects of climate change through limiting our lending to high emitting sectors. This forms the basis for our initial views on portfolio level appetite setting. Further work is underway to set sector specific metrics for portfolio level appetite monitoring. We are incorporating qualitative climate risk drivers into portfolio-level risk appetite and developing a framework for future quantitative climate risk appetite statements.



# SECTOR FOCUS

## Sectors with high levels of climate-opportunity

### Sustainable finance

#### Overview

SBG partners with our clients to support their transition toward net zero through sustainable finance solutions, including use of proceeds and general purpose (sustainability-linked) instruments. Our mobilisation of sustainable finance is defined as the arranging and lending activities in relation to all sustainable finance categories, including eligible green, social, sustainable and sustainability-linked transactions (excludes treasury activities).

In October 2023, we published our [SBG Sustainable Finance Framework](#), which outlines the methodology and associated policies and procedures to facilitate the raising of finance in the form of sustainable financing instruments including green/social/sustainable (GSS) bonds or loans (including hybrid instruments), repurchase agreements and securitisation instruments by the group. The framework describes the process to select, evaluate, report, track and verify eligible assets<sup>1</sup>.

Our focus in 2022 was exclusively on finance mobilised in CIB. In 2023, we undertook relevant due diligence and included asset pools from BCB (including solar installations for business properties) and PPB (including affordable housing home loans and green (EDGE certified<sup>2</sup>) home loans. While these transactions represent a small percentage of the total at present, this is expected to grow as the framework becomes embedded across business areas.

- 1 Sustainalytics has provided a [Second-Party Opinion](#) stating that the framework is credible and impactful and aligns with the SustainabilityBond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.
- 2 EDGE (Excellence in Design for Greater Efficiencies) is a green building certification system focused on making buildings more resource efficient in terms of energy and water use and embodied carbon in materials.

Commitment	Timeframe	Progress
<ul style="list-style-type: none"> <li>▪ Mobilise &gt;R250 billion sustainable finance across all banking products by 2026</li> </ul>	2022-2026	<ul style="list-style-type: none"> <li>▪ R105.1 billion ✓ (R54.5 billion in 2022, R50.6 billion ✓ in 2023)</li> <li>▪ 42% of target</li> </ul>





## Renewable energy

### Overview

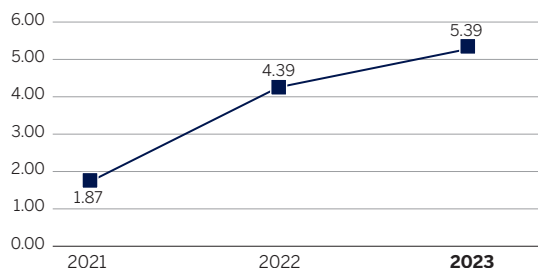
Investment in renewable energy infrastructure is a priority for the group. We have financed 3 640MW of new renewable energy infrastructure in South African since the launch of South Africa’s renewable energy independent power producers programme (REIPPP) in 2011. This equates to more than R50 billion of committed financing over the past 12 years. Details of renewable energy deals financed in 2023 are included in our

[Report to Society](#).

Commitment	Timeframe	Progress
<ul style="list-style-type: none"> <li>Mobilise R50 billion finance and R15 billion underwriting for development of new renewable energy infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>2024</li> </ul>	<ul style="list-style-type: none"> <li>R33.6 billion (R18.2 billion in 2022, R15.5 billion<sup>✓</sup> in 2023)</li> <li>52% of target</li> </ul>

	2021	2022	2023
Renewable power generation (Rm)	13 049	26 338	<b>34 616</b>
Non-renewable power generation (Rm)	6 987	5 999	<b>6 419</b>
Renewable: non-renewable ratio	1.87	4.39	<b>5.39</b>

### Ratio of renewable to non-renewable power generation



## Carbon markets

### Overview

Countries and companies may select to offset their emissions by buying carbon credits, under the carbon market mechanisms specified in **Article 6 of the Paris Agreement**, national compliance systems (such as South Africa’s carbon tax system) and voluntary carbon markets. Sub-Saharan Africa, with its natural capital, agricultural systems and abundant renewable energy resources, is well placed to meet the demand for high quality carbon credits using these mechanisms. SBG is exploring opportunities to partner with companies seeking to:

- Source sub-Saharan African carbon credits
- Find markets for sub-Saharan African carbon credits
- Fund the development of carbon credit projects
- Scale existing carbon credit project opportunities.

SBG Global Markets has established a carbon trading business with capability to trade carbon credits from all major standards and provide a safe trading environment in a predominately over-the-counter (OTC) market. We are also pursuing opportunities to finance projects designed to provide carbon credits. We have executed one carbon finance transaction to date and have several further transactions in the pipeline.

SBG has developed a carbon trading governance framework to assess E&S risk and quality of projects. It sets out a list of carbon offsetting programmes or standards that require a high standard of third-party assessment of environmental integrity. Only carbon credits under these programs or standards can be traded. The restrictions must be incorporated in all dealer mandates. Financing of carbon projects and participation in joint ventures with carbon project developers is subject to review by group E&S risk as part of normal approval processes.

Commitment	Progress
<ul style="list-style-type: none"> <li>Provide a safe carbon credits trading environment for clients in a predominately OTC market</li> </ul>	<ul style="list-style-type: none"> <li>Trading capability established in CIB</li> </ul>
<ul style="list-style-type: none"> <li>Develop capability to fund sub-Saharan African carbon credit project development</li> </ul>	<ul style="list-style-type: none"> <li>Executed first carbon finance transaction in sub-Saharan Africa (The African Stove Company (TASC) carbon credit project)</li> </ul>
<ul style="list-style-type: none"> <li>Partner with high quality carbon project developers to provide new sources of revenue for clients through participating in carbon revenue</li> </ul>	<ul style="list-style-type: none"> <li>Investigating options for carbon financing</li> </ul>



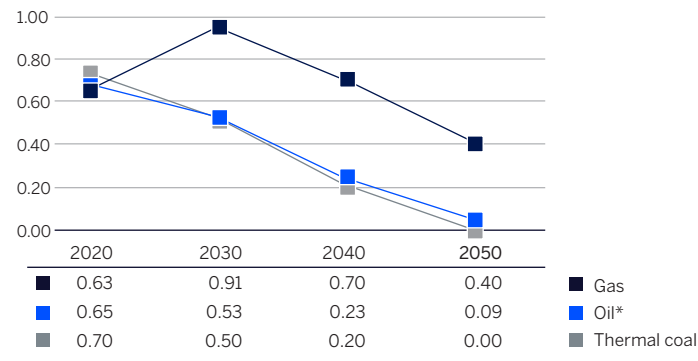
## Sectors with elevated climate risk

Non-renewable energy sources remain an important part of the global energy mix. While a transition to lower-carbon energy sources is underway, energy security and economic growth still require substantial non-renewable inputs. Our non-renewable energy targets toward 2050 are expressed as a percentage of forecast total loans and advances, and limits, as shown below.

Between 2040 and 2045, we aim 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.

In the short term (2022-2029), our exposure to non-renewable energy, and natural gas in particular, will increase, as has been the case in 2023. This increase includes short-term loans that will amortise by 2029, together with finance to support clients with clear transition plans, as detailed in this section. We remain on track to meet our medium to long term commitments.

Percentage of asset book (loans and advances) (%)<sup>1</sup>



\* Exploration and production.

### Coal Overview

Coal demand reached an all-time high in 2023, rising by 1.4%. While consumption declined significantly in most advanced economies, demand in emerging and developing economies remained strong, increasing by 8% in India and 5% in China due to rising demand for electricity, high gas prices and weak hydropower production.<sup>2</sup>

South Africa accounts for 84% of Africa's coal consumption. The IEA forecasts a rise in the coal consumption trend over the next three years, mainly due to better performance of Eskom's coal assets.

Zimbabwe grew their coal capacity in 2023, and Botswana plans construction of a new coal plant for completion by 2026. The IEA expects there will be no further new coal projects commissioned in Africa by 2026.

Much of SBG's thermal coal mining exposure originates from our three largest clients. In 2023, we provided finance for two clients to install decentralised, off-grid solar power in South Africa. We provided finance for a solar PV plant at African Rainbow Mineral's platinum mining operations in North-West province, and for

independent power producer Cennergi to build the Lephalale Solar Project to power Exxaro's Grootegeluk coal mine in Limpopo. Further details are available in our [Report to Society](#).

Our strategy is centred on a transition away from finance for coal-fired power, including a commitment to no further financing for the construction of new coal-fired power plants or for the further expansion of generating capacity of existing coal-fired power plants.

<sup>1</sup> SBG Climate Policy March 2022.

<sup>2</sup> IEA annual coal market report 2023, <https://www.iea.org/news/global-coal-demand-expected-to-decline-in-coming-years>.



Commitment	Progress	2022	2023	
<ul style="list-style-type: none"> <li>Limit thermal coal exposures to 0.70% of group loans and advances in 2021, and 0.50% by 2030</li> </ul>	Coal mining (extractors)	0.23%	<b>0.30%</b>	▲
	Coal-fired power	0.08%	<b>0.05%</b>	▼
	<b>Total thermal coal</b>	0.31%	<b>0.35%</b>	▲
	<ul style="list-style-type: none"> <li>Extended a new line of credit to a mining client, which serves as a liquidity backstop facility and is booked as undrawn off-balance sheet exposure. We remain on track to achieve our target to limit thermal coal exposures to 0.5% of group loans and advances by 2030.</li> </ul>			
<ul style="list-style-type: none"> <li>No finance for the construction of new coal-fired power plants or expansion in generating capacity of existing coal-fired power plants</li> </ul>	<ul style="list-style-type: none"> <li>None financed</li> </ul>			
<ul style="list-style-type: none"> <li>Reduce finance 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.</li> <li>Clients will be required to provide comprehensive carbon emission reduction strategies in advance of financing.</li> </ul>	<ul style="list-style-type: none"> <li>Exposure to coal-fired power has decreased</li> </ul>			
<ul style="list-style-type: none"> <li>Support refurbishment of existing coal-fired power stations with specific purpose of improving efficiency and reducing carbon emissions using carbon capture, usage and storage (CCUS) technology, as part of a decarbonisation plan aligned to net zero by 2050.</li> </ul>	<ul style="list-style-type: none"> <li>Provided finance to an African utility to retrofit existing turbines at a power plant, to increase the reliability and efficiency of the existing turbines to produce power, while improving environmental performance of the plant due to reduction of particulates, SOx and NOx. In line with the group climate policy.</li> </ul>			
<ul style="list-style-type: none"> <li>No finance to mountain top removal</li> </ul>	<ul style="list-style-type: none"> <li>None financed</li> </ul>			



**Oil Overview**

Volatility in oil markets due to geopolitical events has driven short-term increases in exploration and production. Levels are expected to remain elevated until 2030. Global upstream oil industry emissions are however expected to decline by 11% by 2028, under the IEA's stated policies scenario. This reflects the industry's efforts to reduce their carbon footprint, align with future market conditions and reduce the risk of assets becoming stranded (IEA, 2023). This is reflected in the industry's investment focus on projects that deliver higher returning projects that can be delivered more quickly and more efficiently and with lower-carbon emissions. Africa will play a growing role in meeting global oil demand (IEA, 2023). Projects in Angola, Cote d'Ivoire, Ghana, Namibia and Nigeria are expected to increase Africa's output significantly by 2028, while new projects in Ghana, Cote d'Ivoire, Senegal and Uganda, and new discoveries in Namibia will further drive growth.

We recognise the need to actively manage and reduce our exposures to oil over time as part of a broader transition to net zero. We do however have a responsibility to support and prioritise social and economic development in Africa, and we recognise the importance of balancing this need with our support for a just transition away from non-renewable energy sources. Our focus is on financing clients with a corporate net zero and energy transition strategy. We require that any new oil client, or oil transaction with a tenor of over 12 months, must be assessed to test alignment with the SBG climate policy and determine climate change

risk and energy transition opportunities. If the assessment identifies areas of concern, these are discussed with the client, to clarify what we expect from them before we can provide financing. If conditions cannot be met, financing will not proceed.

Assessment criteria:

- Time-bound energy transition plan to reach net zero through the development of lower carbon intensity projects, supply of cleaner fuels and use of renewable energy sources.
- Exposure to oil can be supported if its development is required to unlock gas resources that will improve the access to cleaner energy, or if revenues will be used to support development of renewable energy projects.
- Must be low carbon intensity and must result in lowering the average carbon intensity of our O&G portfolio.
- Must be able to provide details of current or expected carbon emissions and have an approved plan to reduce scope 1 and 2 emissions.
- Nature-based carbon off-setting projects and carbon capture will be considered. Use of carbon trading credits will not.

Commitment	Progress
Reduce by 5% group advances to upstream oil by 2030	Exposure to upstream oil increased by 34.59% (2022-2023). <ul style="list-style-type: none"> <li>▪ Factors driving the increase include demand normalisation post-Covid, and disruption to global trade patterns and oil prices caused by geopolitical events, which have driven a short-term increase in exploration and production activities as countries seek to ensure energy security.</li> <li>▪ SBG's asset portfolio primarily consists of short-term (0-5 years) and medium-term (5-10 years) holdings.</li> <li>▪ For upstream oil, the largest assets will be fully repaid within three years, in alignment with our 2030 commitment.</li> </ul>
No finance for companies with unrestricted flaring for new assets. For existing clients with flaring, seek timebound plans to eliminate flaring for existing assets	No new finance provided
No financial products/services for extraction of tar sands/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	None financed
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 an integrated renewable energy power plant	None financed
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 0% from 2030. Such clients will be required to provide comprehensive carbon emission reduction strategies in advance.	2022: 0.03% 2023: 0.05%



## Gas

### Overview

Gas represents 23% of global primary energy generation<sup>1</sup> (compared to 7% for renewable energy). Natural gas is acknowledged as the cleanest non-renewable energy. It plays an important role in the electricity and industrial sectors, heating and transport, and will be important in helping to meet the global increase in energy demand, given its lower carbon footprint. It has been confirmed as a transition fuel in terms of the EU Taxonomy and other global frameworks.

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 LPG for cooking and natural gas for the provision of baseload energy (Africa currently relies on biomass or charcoal for 50% of energy use, IEA, 2023). Our commitment to gas financing is informed by the emissions and development plans of our key markets. We commit 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.

#### Our focus areas include:

- LNG production for global coal to gas switching
- Gas to power, floating storage regasification units (FSRUs) and gas infrastructure for African coal to gas switching and diesel/HFO to gas switching (including SSLNG)
- Indigenous gas development
- Substitution of biomass/charcoal/wood burning to LPG/natural gas.

We prioritise financing for clients that have a demonstratable corporate net zero and energy transition strategy. We require that any gas client, or gas transaction with a tenor of over 12 months, must be assessed to test alignment with the SBG climate policy and determine climate change risk and energy transition opportunities. This assessment is part of screening prior to a credit decision being made. If the assessment identifies areas of concern, these are discussed with the client, to clarify what we expect from them before we can provide financing. If conditions cannot be met, financing will not proceed.

<sup>1</sup> <https://www.iea.org/energy-system/fossil-fuels/natural-gas>.

Assessment criteria:

- Time-bound energy transition plan to reach net zero through the development of lower carbon intensity projects, supply of cleaner fuels and use of renewable energy sources.
- Must be low carbon intensity and must result in lowering the average carbon intensity of our O&G portfolio.
- Must be able to provide details of current or expected carbon emissions and have an approved plan to reduce scope 1 and 2 emissions.
- Nature-based carbon off-setting projects and carbon capture will be considered. Use of carbon trading credits will not.

Commitment	Progress
Prioritise finance for the construction of gas-fired power plants that provide support services as part of an integrated renewable energy power solution; and/or to support the conversion of existing coal-or oil-fired power plants to gas as part of a clearly defined decarbonisation plan aligned to net zero by 2050	No finance provided for the construction of new gas-fired power plants.
Finance gas-related projects with zero to minimal fugitive emissions or that are committed to a pathway that reduces the carbon intensity of LNG plants, and limit financing of standalone gas-fired power plants providing general baseload, mid-merit or peaking power (i.e. not meeting above criteria to a cap of 0.75% of total group advances after 2026	2023: 0.21%  Increased our involvement with specific power utilities that own and operate existing gas-fired power plants.



## Downstream oil and gas

### Overview

Our downstream oil and gas lending book includes oil marketing companies, traders and distributors, responsible for distributing and/or selling oil and gas products and services to the general public. We are in the process of:

- Determining our exposure to the sector based on our BCB lending book. This includes determining our clients' activity levels in the sector. We have established a baseline in six countries and completed the alignment of the sector identifier across these countries<sup>2</sup> to ensure data consistency. We have commenced work on establishing the percentage of activity carried out by each client within the sector, to support our ability to measure emissions contribution in the future. We aim to be able to measure and report financed emissions from our loan book (scope 1 and 2) by 2025.
- Engaging with clients to support their transition to incorporate renewable energy sources in their activities. Over 800 of our clients have accessed finance, which enabled some of them to install renewable energy solutions to power their filling stations and forecourts.

<sup>2</sup> Angola, Ghana, Mozambique, Nigeria, Tanzania and Uganda.

## Agriculture

### Overview

Over half of Africa's carbon emissions are driven by agriculture, forestry and other land use (AFOLU) sectors, as a result of agricultural practices, deforestation, fires and forest degradation. Agriculture also plays an important role in carbon sequestration, through photosynthetic (forests and savannas) and non-photosynthetic processes (soils and water). Agriculture is a critical economic sector for Africa, accounting for 75% of trade, 70% of employment and over 20% of GDP. While the sector faces significant risks due climate change, it also has a crucial role to play in strengthening climate resilience and sequestering carbon.

We aim to increase lending to the agriculture sector, while helping our clients to manage their emissions through sustainable agriculture practices (farming systems that conserve land, water, and biological resources, do not degrade the environment, and are technologically appropriate, economically viable and socially acceptable). We are working with our clients to enable implementation of climate-smart agriculture, which includes:

- 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.

Our efforts aim to help farmers increase their resilience to climate change, thereby increasing food security, strengthening the resilience of food systems, and supporting employment and sustainable livelihoods, while simultaneously helping them to reduce their emissions. We are working with peers, academics and industry to develop strategies for carbon sequestration on agricultural lands, potentially leading to the sale of carbon credits and generating additional income for farmers.

Our agriculture loan book exposure is currently 83% South Africa and 17% Africa Regions, primarily Uganda, Nigeria, Kenya, Mozambique and Malawi. We aim to substantially grow our exposure in Africa regions in the coming years, while managing our climate risk and financed emissions through the large-scale rollout of climate-smart agriculture solutions for our clients.

Commitment	Progress
<ul style="list-style-type: none"> <li>▪ Disburse R7 billion (cumulative) in climate smart agriculture finance by 2030 (inclusive of R2 billion by 2025)</li> </ul>	<ul style="list-style-type: none"> <li>▪ R275 million in 2022</li> <li>▪ R641 million in 2023<sup>3</sup></li> </ul>
<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	None financed

<sup>3</sup> In South Africa, we are currently limited to measuring smart energy finance, and are working toward developing measurement capabilities for other climate smart components. In Africa Regions we track smart energy, smart water, smart equipment and smart practices on a semi-automated process via the credit system.



## Commercial real estate (CRE)

### Overview

The real estate sector is a high emitter globally, with buildings responsible for about 37% of global carbon emissions. The sector is also increasingly vulnerable to physical climate risks, in the form of extreme weather events such as hurricanes, floods, and wildfires, and in the longer-term, rising sea levels in coastal areas. Transition risks include increasing regulation, declining attractiveness of assets in particular locations, and associated challenges with insuring buildings in areas at high risk of physical climate impacts.

Our CRE exposure is predominantly in South Africa (85%), where reliance on coal-fired power and the associated high grid emission factor significantly contributes to scope 2 emissions for buildings. Real estate investment trusts (REITs), which face pressure to decarbonise, comprise about 50% of SA exposure. The remainder of the portfolio comprises direct property, where decisions to opt for green energy solutions are driven by cost-benefit assessment and market dynamics. Some property owners have opted for renewable energy solutions, but penetration remains low given sector cost pressures. The trend is however starting to grow, as the long-term cost savings and productivity gains associated with avoiding load-shedding are recognised. Regulatory requirements for

energy performance certificates were supposed to have been implemented in December 2022, but have been delayed for three years. The cost of green certification has been a limiting factor for new green developments. There is a trend to retrofit existing building where commercially viable.

Given limited stock in Africa Regions, most new builds are green buildings, and we are providing green loans to these clients. However, emissions reduction measures for new buildings alone will not make a significant impact in reducing carbon intensity.

SBG is engaging with our clients in the real estate sector to:

- Develop mechanisms to improve the quality of our client emissions data
- Understand their plans to tackle physical risk and their financing needs to achieve this
- Support their efforts to decarbonise.

Additionally, we are procuring suitable tools to improve our assessment of the physical and transaction risk for the CRE portfolio.

Commitment	Progress
<ul style="list-style-type: none"> <li>■ Mobilise &gt;R30 billion in sustainable finance from 2022 to 2026 for the CRE sector.</li> <li>■ Use PCAF methodology to collect, measure and evaluate applicable building-related and emissions data by March 2025</li> <li>■ Disclose baseline emissions and set targets to reduce financed GHG emissions by March 2026.</li> </ul>	<ul style="list-style-type: none"> <li>■ Cumulative since 2022: R20.57 billion</li> <li>■ Portfolio geo-coded, pro-rated valuation amounts determined for listed exposure where common pools of asset security is shared</li> <li>■ Agreed exposure and valuation starting points, classified assets into sub-sectors.</li> </ul>





## Residential real estate and personal lending

### Overview

We have completed an initial assessment of physical climate risk associated with our residential property loan book, and are in the process of establishing a baseline for financed emissions.

We aim to grow lending for socially and environmentally responsible practices within the home loans sector, with physical solutions and financing to enable homeowners to become more energy efficient and resilient.

We provide an end-to-end renewable energy service for homes, which includes site visits by energy advisors, correct sizing of solar and battery equipment, installations and after-sales service, all of which is enabled through the LookSee solar customer care desk. Our customers are free to select from our range of lending solutions, which includes the option to leverage their home loan, and our custom solar loan.

#### Commitment

- Target: Disburse R1.1 billion across various products for green-aligned financing in 2023

#### Progress

- Target achieved

## Insurance

### Overview

Our long-term insurance business provides life, disability and health insurance, while our short-term insurance business provides home and vehicle insurance.

Our exposure to climate risk is foremost an exposure to severe weather events and other physical climate risks in our short-term insurance business, with a focus on home-owners cover. We also face transition risk across the insurance businesses, as asset values may be written-down owing to physical or transition risk (including carbon taxes).

We are also assessing risk associated with the accessibility of reinsurance for certain physical risks, including risks of some areas/perils becoming uninsurable, and the risk of withdrawal of reinsurer support for carbon-intensive projects based on ESG factors. This potentially creates knock-on impacts on home loans.

The ability to re-price or decline risks on an annual basis within this business significantly mitigates our risk exposure. The risk is however raised by the fact that cover is often provided on homes which are financed through SBG. The insurance and home-loans teams are working together to manage this longer-term exposure to climate risks. We are building technical pricing models for home-owners cover, inclusive of geo-coding testing to enable more accurate location-based risk pricing, specifically relating to the frequency and severity of weather-related events.

Methodologies and standards for measuring 'insured emissions' are in their infancy, and are not as well-developed as those for financed emissions. We will work with guidance issued by PCAF for insured emissions in 2024.

We continue to monitor developments in the life and disability insurance sub-sector. We participate in the Actuarial Society of South Africa's Climate Change Committee and the climate change impacts on mortality and morbidity working party.



## Investments and Asset Management Overview

IAM manages a significant quantum of assets on behalf of our clients through our insurance and asset management businesses, including STANLIB. Our approach in relation to these investments presents an opportunity to contribute towards mitigating climate change. In line with SBG's commitment to a just transition, we continue to adopt an approach of active engagement with investee companies and asset managers, rather than an exclusionary approach.

Further information can be found in [Liberty's Report to Society](#).

Our most significant exposure to the financing of emissions as an asset owner is in investments underlying shareholder capital and exposures within Liberty. The specific counterparties in which we invest are not linked to IAM's underlying client franchise, thereby allowing a firmer approach to reducing financed emissions.

STANLIB has procured a commercial analytics solution to provide ESG and climate-related services and data. This will assist in the work toward setting financed emissions targets for STANLIB's investment portfolio.

## Transport Overview

Globally, the transport sector contributes about a quarter of energy related GHGs, driven by the combustion of fossil fuels. The emissions impact of the sector is considerably lower in sub-Saharan Africa, where 80% of trips are made on foot. Africa's economic growth however depends on large-scale improvements to the continent's transport infrastructure, and the development of integrated public transport systems.

Physical climate-related risks facing the sector include the vulnerability of transport and harbour infrastructure to extreme weather events, including floods, which may disrupt supply chains, damage assets and lead to significant economic losses. Transition risks include risk of increased compliance costs and operational challenges as government regulations evolve.

Our credit exposure to the sector includes passenger and freight transport, aviation and shipping. Our focus is on supporting sustainable and green technologies, such as electric vehicles, alternative fuels, and energy-efficient infrastructure to create supply chain resilience. We have focused our initial disclosures in this report on the higher emitting segment of the transport value chain, being vehicle manufacturers.

We aim to set climate targets for the sector by early 2025.

## Industrials sector

### Overview

The industrials sector accounts for 25% of global carbon emissions (UNEP FI). Within the sector, the cement and steel sub-sectors account for approximately 54% of direct carbon emissions, which are largely driven by production activities. These are hard-to-abate sectors, which face significant high transition risk, given the dependence of their manufacturing processes on fuel combustion to generate heat, which generates significant emissions. Companies within the sector risk negative impacts from increases in carbon pricing, which will push up their production costs. They also face reputational risk if they are perceived to be slow to transition toward more sustainable practices. Both sectors are however vital to developing Africa's economies and improving human development, providing critical components of the infrastructure needed to support economic growth and human development.

### Cement

Cement plays a critical role in the construction sector. Carbon emissions are linked to clinker production, an intermediate product in cement manufacturing. Based on International Standard Industrial Classification (ISIC) grouping, we have included manufacture of cement, lime and plaster as well as manufacture of articles of concrete and cement in our calculations.

### Steel

Based on ISIC classification, we have included all steel manufacturing in our calculations, with the exception of recycling of non-metal waste and scrap as this requires minimal energy.



## Direct operational footprint

### Overview

SBG’s direct environmental impacts arise mainly from energy use at our offices and branches, cash centres and data centres. Other emissions sources include waste generation at these buildings and employee travel. We continue to prioritise decreasing our carbon footprint in line with international best practices.

Our primary focus for the reduction of direct emissions is South Africa. In 2023 we conducted an internal study to determine a baseline for the group’s direct emissions from Africa Regions operations, using available Scope 1 and 2 information. South Africa accounts for 63% of SBG’s real estate footprint. However, due to grid emission factors it accounts for 76% of SBG’s direct emissions, with the remaining 24% from Africa regions.

We review our business continuity plans annually. This includes assessment of physical risk, including rising temperatures, severe drought, flood, fire risk and the impact on air quality.

Commitment	Progress
<ul style="list-style-type: none"> <li>Net zero for newly built facilities by 2030</li> <li>Net zero for existing facilities by 2040</li> </ul>	<ul style="list-style-type: none"> <li>In South Africa, we aim to reduce our Scope 1 and 2 emissions by 4.2% per year against our 2014 baseline using the absolute contraction approach. We are four years ahead of schedule. Drivers include space optimisation, energy efficiency projects, alternative energy projects and operational changes.</li> <li>For the group as a whole, we aim to reduce emissions by 15 000 tCO<sub>2</sub>e per annum, against a 2022 baseline.</li> </ul>

### Reduction in Scope 1 and 2 emissions in SA (banking activities)<sup>1</sup>

	2021	2022	2023
Reduction in emissions (tCO <sub>2</sub> )	17 938	12 446	<b>12 074</b>
Reduction compared to previous year (%)	11	7.7	<b>8</b>

	2025	2030	2035
Target (Savings against a 2022 baseline) (tCO <sub>2</sub> )	10 898	51 799	114 497

<sup>1</sup> Numbers in this table have been updated since the initial publication of this report, owing to the identification of calculation errors.



## South Africa direct GHG emissions (banking activities)

GHG emissions tCO <sub>2</sub> e	2023	2022	2021	2020	2019
<b>Scope 1<sup>4</sup></b>	<b>18 560</b>	12 083	7 660	8 463	9 224
Diesel generators	<b>13 973</b>	6 655	1 769	1 491	1 900
Fleet vehicles	<b>741</b>	880	868	802	1 600
Natural gas	<b>1 430</b>	1 877	2 433	3 633	3 829
Refrigerants	<b>2 416</b>	2 671	2 590	2 537	1 895
<b>Scope 2<sup>5</sup></b>	<b>119 093</b>	137 644	154 513	172 648	197 771
<b>Total scope 1 &amp; 2</b>	<b>137 653</b>	149 727	162 173	181 111	206 995
<b>Scope 3<sup>6</sup></b>	<b>15 999</b>	12 358	1 540	5 104	22 897
Waste disposed <sup>7</sup>	<b>269</b>	148	123	259	782
Paper <sup>8</sup>	<b>769</b>	391	397	395	698
Flights <sup>9</sup>	<b>14 872</b>	11 754	995	4 334	21 066
Rental cars <sup>10</sup>	<b>89</b>	65	25	116	351
<b>Total scope 1, 2, 3 operational emissions</b>	<b>153 652<sup>✓</sup></b>	162 085	163 713	186 215	229 892
Split of carbon emissions (tCO <sub>2</sub> e)					
<b>Scope 1 (%)</b>	<b>12</b>	7	5	4	4
<b>Scope 2 (%)</b>	<b>78</b>	85	94	93	86
<b>Scope 3 (operations) (%)</b>	<b>10</b>	8	1	3	10
Emissions intensity per m <sup>2</sup> of office space <sup>11</sup>	<b>0.24</b>	0.26	0.22	0.23	0.28
Emissions intensity per employee <sup>12</sup>	<b>4.6</b>	5.6	5.6	6.12	-
<b>CDP Score</b>	<b>C</b>	C	C	C	B-

<sup>4</sup> Direct emissions from owned/controlled sources (2014 Baseline 15 246 tCO<sub>2</sub>e).

<sup>5</sup> Indirect emissions from purchased electricity (2014 Baseline 283 314 tCO<sub>2</sub>e).

<sup>6</sup> Indirect emissions from use of purchased materials and fuels and transport. These Scope 3 figures do not contribute to our net-zero 2040 target.

<sup>7</sup> Data is collected from the waste management companies servicing commercial facilities in South Africa. We convert activity data to emission data using emission factors available from Department for Environment, Food and Rural Affairs (DEFRA).

<sup>8</sup> We use invoiced data from suppliers. Activity data is converted to emission data through DEFRA emission factors.

<sup>9</sup> Calculations are based on invoiced data from travel agents. We convert activity data to emission data using DEFRA emission factors. Emissions from airline travel increased significantly in 2022 as Covid-related travel restrictions eased.

<sup>10</sup> Calculations are based on invoiced data from travel agents. We convert activity data to emission data using DEFRA emission factors.

<sup>11</sup> Square meters (630 577) includes commercial and retail (branches, private banks, business centres). Excludes data centres, warehouses, and other.

<sup>12</sup> 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 (29 712 employees).



## Energy (banking activities)

Purchased electricity is the major contributor to the group’s direct carbon footprint (Scope 2 location-based emissions). This is mainly sourced from national and municipal electricity grids. When supply from the grid is not available, electricity is sourced from alternatives, mainly diesel-fueled generators and in some cases solar PV and battery storage. We prioritise the financing of renewable energy projects to assist in decarbonising the respective grids. All of our offices and branches are in urban areas/ densely populated areas and our emissions are in line with regulatory requirements and pose no direct risk to human health.

### South African operations

Since 2022, our Scope 1 emissions from the use of diesel generations have increased substantially owing to high rates of load shedding across the country. Scope 2 emissions arising from purchased electricity have declined for the same reason, and owing to a reduction of portfolio size (offices and branch space). Space optimisation efforts and the formalisation of hybrid working arrangements have also contributed to significant reductions in purchased electricity and thus Scope 2 emissions.

	2023	2022	2021	2020
Total non-renewable energy consumption MWh	<b>178 882</b>	166 379 <sup>14</sup>	161 633	189 341
Total renewable energy consumption MWh	<b>2 595<sup>✓</sup></b>	2 459 (1.4%)	2 601 (1.6%)	2 686 (1.4%)

Reduction in purchased electricity consumption in SA<sup>15</sup>

Year	Energy (GWh)	% Reduction from prior year
<b>2023</b>	<b>12.7</b>	<b>9.6</b>
2022	10.7	7.5
2021	22.9	14
2020	20.6	11

<sup>14</sup> Total non-renewable energy includes purchased electricity, natural gas, and diesel.

<sup>15</sup> Numbers in this table have been updated since the initial publication of this report, owing to the identification of calculation errors.

<sup>16</sup> Emissions from purchased electricity are calculated using the reported emissions factors from Eskom’s 2023 Integrated Report.

<sup>17</sup> Calculations are based on the methodological guidelines for quantification of GHG gazetted by the Department of Forestry, Fisheries and The Environment (DFFE) on 7 October 2022.

<sup>18</sup> Calculations are based on the methodological guidelines for quantification of GHG gazetted by the Department of Forestry, Fisheries and The Environment (DFFE) on 7 October 2022.

Standard Bank of South Africa 2023 Emissions (tonnes)<sup>15</sup>

Emissions breakdown per source	Methane (CH <sub>4</sub> )	Carbon dioxide (CO <sub>2</sub> )	Nitrous oxide (N <sub>2</sub> O)
Purchased Electricity <sup>16</sup>	<b>0.942</b>	<b>119 093</b>	<b>0.914</b>
Diesel <sup>17</sup>	<b>0.496</b>	<b>12 336</b>	<b>0.099</b>
Natural Gas <sup>18</sup>	<b>0.024</b>	<b>1 346</b>	<b>0.002</b>
<b>Total</b>	<b>1.462</b>	<b>132 775</b>	<b>1.015</b>

### Energy efficiency and investment in renewables

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. All our commercial sites are metered. In 2023, we increased the proportion of metered branches from 67% to 70%. Electricity consumption data for these facilities is collected directly from electronic meters which send data to an online platform. Consumption from metered data is interpolated and extrapolated for unmetered sites. Total consumption data is converted to a CO<sub>2</sub> emissions equivalent figure using a factor obtained from the latest available Eskom Integrated Report. 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 office building in Rosebank, Johannesburg, uses a 2MW tri-generation plant to produce electricity from natural gas. We use the waste heat to supplement our need for building heating and cooling. The system can supply up to 60% of the building’s electrical needs. It cuts emissions by about 50% compared to use of coal, and provides a reliable supply, avoiding the impact on regular load shedding.
- Our global leadership training centre in Johannesburg is certified as ISO50001, demonstrating the effectiveness of its energy management system in improving energy performance, reducing energy costs and minimising environmental impact.
- We have energy performance certificates for all commercial sites over 2 000m<sup>2</sup> and internal benchmarks that aim to improve performance, driven by operational control, technology improvements and SMART control.



Over the past nine years, our **investments in energy efficiency and clean energy** have included:

- Replacing fluorescent lighting systems with LED lighting systems. We aim to extend our LED rollout from 80% of properties to 100% of commercial properties by 2025.
- Presence sensors in selected head office buildings to support our intelligent building strategy
- Efficient heating and air conditioning systems that also minimise our water consumption
- Solar PV rooftop and carport installations
- Indoor air quality sensors to ensure that the flow of outside air into our facilities is energy efficient
- Solar-powered electric vehicle car chargers at head offices
- Energy storage solutions – we have invested R129 million in uninterruptable power supply lithium-ion phosphate battery solutions
- Battery hybrid solutions that integrate with solar PV
- 2.2MWp small-scale embedded generational rooftop solar PV plants at ten of our head office buildings (nine in Johannesburg and our Durban head office), covering an area of approximately 13 466m<sup>2</sup>.

In 2023 we made further investments in renewable energy infrastructure at our commercial head offices and specific retail outlets. We increased our total installed peak capacity of renewable energy by 13% compared to 2022. We also increased the rollout of lithium-ion phosphate batteries at our retail sites to improve resilience to load shedding.

Looking ahead, we will:

- Continue to increase our use of renewable energy to meet our own energy needs. We will expand our solar PV installations to additional head office buildings and branches by 25% in 2024, maximising our available roof-space
- Increase our storage capability and integrate this with renewables
- Enter power purchase agreements to wheel power from off-site renewable sources
- Expand our electric vehicle charging stations at selected office locations and integrate these stations with roof-top solar to promote green transport for employees with electric vehicles. We currently have facilities in Gauteng and Kwazulu-Natal
- In the longer term, we will explore carbon sequestration options and the purchase of carbon credits subject to high integrity standards.

## Capital and expenditure deployed on direct climate adaptation and climate mitigation efforts

Investment in energy efficiency, energy security, and environmental sustainability, South Africa

2020	2021	2022	2023	2024–2025 (Estimated)
R12 million	R14.6 million	R52.9 million	<b>R168.6 million<sup>18</sup></b>	R80 million expenditure in renewables and storage solutions

<sup>18</sup> Energy efficiency R17.4 million; energy security R129.3 million; environmental sustainability R17 million (commercial) and R4.9 million (retail).

## Green buildings

SBG has 19 buildings that are 4 or 5 Green Star-rated.<sup>1</sup>

- 23% of our South African footprint is certified, accounting for 14% of the group’s total. Certifications in Africa Regions account for 8% of the group’s total.
- Our office in Rosebank, Johannesburg has a 5-star Green Star rating.
- In Nigeria, Stanbic IBTC Pension Managers flagship office facility, Stanbic IBTC Towers, has a 4-star best practice design rating from Green Building Council of South Africa.
- Stanbic IBTC deploys hybrid solar systems in some of its branches and off-site ATMs across Nigeria and has an EDGE certified facility.
- In Namibia, our head office has a 5-star best practice design rating.

<sup>1</sup> The Green Building Council develops the Green Star SA rating tools to provide an objective measurement for green buildings in South Africa and Africa. These tools recognise and reward environmental leadership in the property industry. SBG has a total of 1 318 buildings – 618 in South Africa and 700 in Africa Regions.



## Waste (banking activities)

Our waste streams include general, organic, hazardous and recyclable waste. Our waste to landfill forms part of our Scope 3 emissions. Since 2019, we have significantly reduced paper use, by actively encourage staff to be paper-wise when they print, and through the digitisation of numerous banking platforms and internal processes. We aim to further reduce our waste to landfill with sorting at source and recycling initiatives.

Waste increased in 2023 compared to 2022 but remains 50% lower than 2019 levels. 84% of waste was sent to landfill compared to 89% in 2022. The remaining waste was recycled. Our on-site vendors have contributed to a reduction in waste with initiatives such as biodegradable cups and straws and paper-based coffee lids. We are in the process of developing waste baselines and targets.

Waste (tonnes)	2023	2022	2021	2020	2019
General waste	516.8	315.9	262.2	565	1 332
Hazardous waste <sup>19</sup>	0.8	0.6	0.81	1.05	1.57
<b>Waste to landfill</b>	<b>517.6</b>	316.5	263	566	1 334
Recyclable waste	95.6	38.1	20.8	51	227
<b>Total waste</b>	<b>613.2</b>	<b>354.6</b>	<b>283.8</b>	<b>616</b>	<b>1 561</b>

<sup>19</sup> Hazardous waste includes fluorescent lights, batteries and other items.

## Water (banking activities)

We prioritise water conservation, the importance of storage for periods of scarcity, sustainable sources of water, and resilience of our facilities during floods. Since 2019, we have achieved savings of 10 700kl of water per annum.

- We monitor and benchmark facilities to minimise water wastage.
- In South Africa 100% of commercial facilities and 20% of retail facilities are metered. We use online meters for leak identification and quick resolution.
- All of our commercial facilities and priority retail facilities have storage tanks that can provide supply for four days.
- We rely primarily on municipal water but use rainwater harvesting and borehole water supply where possible.
  - Rainwater harvesting at our Durban head office reduces municipal water consumption by 4 600kl (92 Olympic swimming pools) per year.
- Boreholes are located at commercial facilities in Gqeberha and two office buildings in Johannesburg.
- At our office in Rosebank, Johannesburg, we have installed a dry adiabatic cooler which reduces water consumption by 25 000kl (500 swimming pools) per year.
- Our water discharge is not material, being limited to bathroom and kitchen facilities at offices and branches. We rely on municipal sanitation services for this purpose.
- Consumption averages approximately 1kl per m<sup>2</sup> per annum.

Total water consumption (kl) (municipal water)	
<b>2023</b>	<b>248 267</b>
2022	259 045
2021	284 659
2020	495 829
2019	627 632

In 2024, we will further improve metering and monitoring of water use, increase borehole alternative water supply treated to a potable water quality through onsite reverse osmosis plants, and extend water-efficient technologies.

Year	2023	2022	2021	2020	2019
Targeted savings (kl)	10 700	10 700	10 700	10 700	10 700
Actual savings (kl)	10 778	25 614	211 170	131 803	52 927
% progress to savings target	101%	139%	1 974%	1 132%	395%



## Liberty Two Degrees (L2D)

L2D owns 15 properties, including some of South Africa's most iconic malls such as Sandton City, Nelson Mandela Square, and Liberty Promenade. We have undertaken extensive work to manage physical and transition climate risks in respect of this portfolio and reduce our direct and indirect environmental impacts. We have adopted Green Building net zero standards for all new build sites and we are the first retail portfolio in South Africa to be Green Star rated in its entirety, certified by the Green Building Council of South Africa. We incorporate climate resilience measures, such as energy and water efficient technologies, adaptive design strategies and resilient building materials into our properties in new builds and through retrofitting. We consumed 6 700MWh<sup>✓</sup> of renewable energy across our portfolio in 2023.

In 2018, we developed net zero goals and supporting policies for energy, waste and water, targeting reductions in landlord and tenant impacts.

### Targets:

- Net zero carbon (scope 1 and 2) by 2030
  - Scope is for owner-usage only and excludes property not under management control
  - Approved 17MW of new solar installation in 2023
  - Increased diesel usage as a result of loadshedding poses a risk to target achievement
- Net zero waste to landfill by 2023
  - We have registered our projects with the Green Building Council of Africa.
  - L2D has become the first landlord in South Africa to achieve level 2 net zero waste at a portfolio level on all super-regional and regional malls.
- Net zero water by 2027
  - Rainwater harvesting project will be completed at Eastgate Mall in early 2024, which will produce a saving of 17 000kl water per annum
  - Investigating black water harvesting across the portfolio
  - Conversion of HVAC systems from water cooled to air-cooled is underway at four malls, with completion dates between 2024 and 2026.

## Liberty Direct GHG Emissions

tCO <sub>2</sub> e	2023	2022	2021	2020	2019
<b>Scope 1 direct tCO<sub>2</sub>e<sup>1</sup></b>	<b>9 963</b>	6 726	3 170	2 542	3 684
Stationary fuel used in equipment owned or controlled (e.g. generators)	<b>8 370</b>	4 961	1 503	719	627
Fugitive emissions from air-conditioning and refrigeration gas refills <sup>2</sup>	<b>743</b>	862	861	1 267	1 492
Mobile combustion from vehicle fleet consumption	<b>850</b>	903	806	556	1 565
<b>Scope 2 indirect tCO<sub>2</sub>e<sup>3</sup></b>	<b>67 958</b>	71 388	73 101	58 000	56 568
Purchased electricity in Liberty owned and occupied buildings	<b>60 109</b>	64 042	65 791	54 032	52 969
Purchased electricity in leased and occupied buildings	<b>7 849</b>	7 346	7 310	3 968	3 599
<b>Scope 3 indirect tCO<sub>2</sub>e, including tenants electricity</b>	<b>103 365</b>	117 891	111 694	115 653	167 297
<b>Scope 3 indirect tCO<sub>2</sub>e, excluding tenants electricity</b>	<b>14 246</b>	11 820	12 719	10 893	16 145
Business travel in commercial airlines	<b>1 956</b>	1 696	331	735	2 968
Business travel in rental cars and transfers <sup>4</sup>	<b>2 834</b>	25	8	13	59
Hotel accommodation	<b>162</b>	286	153	197	390
Employee travel claims and allowances	<b>602</b>	588	466	477	1 079
Paper consumption	<b>55</b>	47	46	65	192
Waste to landfill	<b>570</b>	923	3 067	3 629	5 916
Recycled waste	<b>76</b>	95	37	41	54
Losses from transmission and distribution of purchased electricity for Liberty-occupied buildings	<b>7 992</b>	8 160	8 611	5 736	5 487
Electricity consumed by tenants	<b>89 119</b>	106 071	98 975	104 760	151 152
<b>Total combined Liberty scopes 1 and 2 emissions</b>	<b>77 921</b>	78 114	76 271	60 542	60 252
Total combined Liberty scopes 1, 2 and 3 emissions (Kyoto Protocol), including tenants' electricity emissions	<b>181 286<sup>✓</sup></b>	196 005	187 965	176 195	227 549
Total combined Liberty scopes 1, 2 and 3 emissions (Kyoto Protocol), excluding tenants' electricity emissions	<b>92 167</b>	89 934	88 990	71 435	76 397
Non-Kyoto Protocol fugitive GHG emissions (R22)	<b>1 673</b>	1 335	1 006	261	653

<sup>1</sup> The UK Department for Environment, Food and Rural Affairs has published guidelines for GHG conversion factors to help businesses convert existing data sources into tCO<sub>2</sub>e emissions. These conversion factors have been used as a basis to calculate Liberty's carbon emissions. The Eskom conversion factor of 1.01 tCO<sub>2</sub>e per MWh was used for electricity in South Africa in 2023.

<sup>2</sup> Liberty continues to use the refrigerant leakage rate methodology to improve accuracy.

<sup>3</sup> Liberty reallocated emissions from common areas within its buildings to scope 2 emissions (previously allocated under scope 3 electricity consumed by tenants).

<sup>4</sup> Increase due to new shuttle service.

## Africa Regions Direct GHG Emissions<sup>20</sup>

In 2022, we identified six Africa Regions countries, based on real estate footprint, grid emission factors, and frequency of grid outages which result in increased diesel usage, where we sought to improve data collection and reporting of carbon emissions. In 2023 we expanded data collection to all countries of operation. Fifteen countries contributed metered data, invoiced data, and projections for countries where data sources were unavailable. We continue to improve the quality of this data. We aim to ensure that all head office sites are metered by Standard Bank and that the data is monitored at a minimum of 30-minute intervals, captured, stored, and made available, to enable ongoing energy efficiency improvements.

Country	2023		2022 (baseline)	
	Scope 1 (diesel consumption)	Scope 2 (purchased grid electricity)	Scope 1	Scope 2
Angola	91	1 147	43	1 496
Botswana	1	437	10	340
Mozambique	24	253	24	266
Namibia	1	210	4	259
Nigeria	794	212	1 490	615
Zimbabwe	51	55	52	71
Mauritius	1	271	0,01	330
Ghana	132	2 437	151	2 874
Kenya	65	244	88	735
Uganda	319	1 069	1 118	1 434
Zambia	546	432	495	576
Eswatini	3	122	7	165
Malawi	189	146	347	360
Lesotho	20	106	130	171
Ivory Coast	–	–	–	–
Democratic Republic of Congo	–	–	–	–
South Sudan	–	–	–	–
Tanzania	54	531	115	749
<b>Total</b>	<b>2 291</b>	<b>7 671</b>	<b>4 074</b>	<b>10 442</b>

<sup>20</sup> SBG is in the process of reviewing the emission factors of the various countries to minimise uncertainties arising from limited information on grid emission factors at country level. When review is complete, we intend to assure our data for the Africa regions.

# METRICS

## Metrics methodology and approach

The metrics disclosed here reflect group credit exposure concentrations measured as at 31 December 2023, in sectors we consider to be sensitive to material levels of climate risks, or where we have identified opportunities for mitigation of non-renewable related energy emissions. Opportunities include resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.

These metrics have been prepared using standard industrial classification codes assigned to counterparties according to the nature of their business activities. These codes are an indicator of the extent to which the client's activities are exposed to climate risks and opportunities, but we continue to refine these classifications so that they better reflect the true nature of the vulnerability of our client's operations to climate-related risks. To that extent, as in prior years, the identification and categorisation of climate exposures have been refined and the sector exposure totals updated where required.

On-balance sheet exposure values are a group banking book aggregation of gross (i.e. before deduction of impairments, the effects of hedging, collateral and risk transfers) loans and advances to customers. Trading book exposures are excluded. Total banking book on-balance sheet loans and advances plus off-balance sheet loan commitments at 31 December 2023 are R2 038 351 million (2022: R2 019 357 million).

Off-balance sheet exposure values are an aggregation of loan commitments (including all contractual unutilised limits of facilities and other commitments to extend credit), as well as guarantees and letters of credit.

## Loans and advances exposure concentration metrics

	Note <sup>1</sup>	Group		2022 %
		2023	Δ in %	
		%	Conc.	
<b>Exposures to climate-related opportunities</b>				
<b>Renewable power generation</b>	1.1	<b>1.70</b>	<b>0.40</b>	1.30
<b>Residential real estate and personal lending</b>	1.2	<b>0.13</b>	<b>0.13</b>	–
<b>Exposures to carbon-related assets</b>		<b>0.31</b>	<b>0.01</b>	0.30
<b>Non-renewable power generation</b>				
Coal-fired power generation	2	<b>0.05</b>	<b>(0.03)</b>	0.08
Oil-fired power generation	3	<b>0.05</b>	<b>0.02</b>	0.03
Gas-fired power generation	4	<b>0.21</b>	<b>0.02</b>	0.19
<b>Coal mining (extractors)</b>	5	<b>0.30</b>	<b>0.07</b>	0.23
<b>Total oil and gas</b>	6	<b>5.92</b>	<b>0.53</b>	5.39
<b>Oil and gas</b>		<b>3.89</b>	<b>0.23</b>	3.66
Oil and gas (integrated)		<b>0.82</b>	<b>(0.01)</b>	0.83
Oil and gas (services)		<b>0.51</b>	<b>0.05</b>	0.46
Oil and gas (trading and retail)		<b>2.56</b>	<b>0.19</b>	2.37
<b>Oil</b>		<b>1.46</b>	<b>0.41</b>	1.05
Oil (upstream)		<b>1.22</b>	<b>0.31</b>	0.91
Oil (midstream)		<b>0.24</b>	<b>0.10</b>	0.14
<b>Gas</b>		<b>0.57</b>	<b>(0.10)</b>	0.67
Gas (midstream)		<b>0.57</b>	<b>(0.10)</b>	0.67
<b>Agriculture</b>	7	<b>3.95</b>	<b>0.00</b>	3.95
<b>Commercial Real Estate</b>	8	<b>5.94</b>	<b>0.33</b>	5.61
<b>Cement</b>	9	<b>0.27</b>		
<b>Steel</b>	10	<b>0.01</b>		
<b>Transport</b>	11	<b>0.13</b>		

1. Notes on following page



## Notes

- 1.1 Solar, wind, hydropower, geothermal and biomass power generation utilities and IPPs. The decline is due to existing facilities amortising and expected new RMIPP and REIPP deals taking additional time to conclude.
- 1.2 Loans and advances to personal and private banking clients to finance products and services that support the generation of renewable energy, or for verified or certified homes that are designed, built, or have solutions installed that have a positive or less harmful impact on the environment.
- 2 Power utilities that own and operate coal-fired power plants.
- 3 Power utilities that own and operate oil-fired power plants.
- 4 Power utilities that own and operate gas-fired power plants.
- 5 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.
- 6 Entities in the exploration, extraction and beneficiation of oil and gas products, including processing and refining entities and all entities involved in associated activities such as planning, rehabilitation and processing.
- 7 Primary agriculture, fishing, forestry and agriculture commodity traders.
- 8 Entities that own or lease fixed property including vacant land, for industrial, retail, office, investment and other corporate purposes.
- 9 Entities involved in the manufacture of cement, lime, plaster and concrete.
- 10 Entities involved in the manufacture of basic iron and steel, casting of iron and steel, fabricated metal products, excluding recycling of non-metal waste and scrap.
- 11 Entities involved in the manufacture of vehicles.



## Loans and advances at 31 December 2023

Rm	Group					
	2023			2022		
	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>	30 922	3 670	34 592	17 203	9 135	26 338
<b>Residential real estate and personal lending</b>	2 585	142	2 727	1 348	52	1 400
<b>EXPOSURES TO CARBON-RELATED ASSETS</b>						
<b>Non-renewable power generation</b>	6 391	28	6 419	5 879	120	5 999
Coal-fired power generation	997	28	1 025	1 586	22	1 608
Oil-fired power generation	1 121	–	1 121	498	98	596
Gas-fired power generation	4 273	–	4 273	3 795	–	3 795
<b>Coal mining (extractors)</b>	1 314	4 775	6 089	1 604	3 041	4 645
<b>Total oil and gas</b>	80 828	39 939	120 767	66 857	41 901	108 758
<b>Oil and gas</b>	49 407	29 954	79 361	41 862	32 143	74 005
Oil and gas (integrated)	12 630	4 020	16 650	11 179	5 619	16 798
Oil and gas (services)	656	9 798	10 454	1 479	7 902	9 381
Oil and gas (trading and retail)	36 121	16 136	52 257	29 204	18 622	47 826
<b>Oil</b>	22 843	6 935	29 778	17 248	3 944	21 192
Oil (upstream)	18 655	6 193	24 848	14 876	3 586	18 462
Oil (midstream)	4 188	742	4 930	2 372	358	2 730
<b>Gas</b>	8 578	3 050	11 628	7 746	5 815	13 561
Gas (midstream)	8 578	3 050	11 628	7 746	5 815	13 561
<b>Agriculture</b>	74 283	6 185	80 468	61 052	18 615	79 667
<b>Commercial real estate</b>	113 060	8 045	121 105	106 029	7 288	113 317
<b>Cement</b>	4 720	753	5 473			
<b>Steel</b>	149	56	205			
<b>Transport</b>	1 657	1 068	2 725			



# AGM RESOLUTION

## Oil and gas financed emissions

At the 2022 Annual General Meeting, shareholders passed a non-binding advisory resolution for the group and its directors to measure financed emissions from oil and gas exposure and set targets for their reduction. The resolution commits SBG as follows:

“In order to promote the long-term success and sustainability of the Company, taking into account the significant risks and opportunities associated with climate change, and in accordance with the Company’s stated support for the goals of the Paris Agreement, shareholders recommend and request that the Company and its Directors”:

Shareholder recommendation and request	Progress
<p><b>By no later than 31 March 2023</b>, provide shareholders with a report on the Company’s progress, in relation to each relevant country of operation, in calculating its financed GHG emissions from its exposure to oil and gas</p>	<p>Progress on the work undertaken to meet this requirement was reported in SBG’s 2022 Climate-related financial disclosures report, published in March 2023. It noted our focus on four countries (Nigeria, Angola, Ghana and Uganda), which account for SBG’s material exposures. Together, these countries comprised 18% of oil exposure in CIB. We noted that we had been able to estimate emissions for 81% of this sample. We also noted our focus on measurement of financed emissions in the upstream sub-sector (20% of the portfolio), with an emphasis on longer dated (&gt;12 months) loan exposures (making up 84% of the upstream book) managed in CIB’s Investment Banking team. We committed to including other countries where we have, or will have, exposure in due course.</p> <p>We also noted that our investment strategy for each country is aligned to the Nationally Determined Contributions (NDC) emissions reductions commitments in each country; and that we continue to support clients and projects that meet our climate policy commitments and are able to demonstrate time-bound commitment to reducing emissions in line with an energy transition plan.</p>
<p><b>By no later than 31 March 2024</b>, disclose the Company’s baseline financed GHG emissions from its exposure to oil and gas.</p>	<p>Our focus in 2023 included:</p> <ul style="list-style-type: none"> <li>■ Categorising clients and counterparties appropriately to accurately reflect the nature of the financed activities</li> <li>■ Defining the scope of measurement</li> <li>■ Making required changes to internal systems</li> <li>■ Learning from peers</li> <li>■ Engaging our clients</li> <li>■ Bringing together business, risk, and finance teams to review data and ensure consistency in approach across financial, risk and climate reporting</li> <li>■ Building a credible database from which to calculate financed emissions                             <ul style="list-style-type: none"> <li>– Validating internal data</li> <li>– Procuring external data sets</li> <li>– Verifying external data with PCAF</li> </ul> </li> <li>■ Calculating the baseline financed emissions: Working with PCAF to identify and apply the optimal method, documenting and testing assumptions and applying proxy calculations.</li> </ul>
<p><b>By no later than 31 March 2025</b>, update the Company’s March 2022 climate policy to include short, medium, and long-term targets for the Company’s financed GHG emissions from oil and gas, aligned with the Paris Agreement goal of limiting the global temperature increase to 1.5 degrees Celsius above pre-industrial levels.</p>	<p>We are on track to publish our financed emissions targets by 31 March 2025. These targets will be approved by executive management and the SBG board during 2024.</p>

<sup>21</sup> Financed emissions are the absolute emissions attributed to a financial institution’s lending and investing activities. Measuring and disclosing financed emissions helps financial institutions understand their exposure to GHG emissions and identify climate-related risks and opportunities.



## Our approach to financed emissions

### Background

The GHG Protocol Initiative develops internationally accepted GHG accounting and reporting standards for business adoption. The corporate accounting and reporting standard of the Protocol defines scope 3 category 15 emissions as those associated with the reporting entity's investments, including those related to the financial services provided by banks. Measuring the financed emissions of a bank's lending portfolio is an important indicator of the bank's exposure to transition risk. Financed emissions measurement enables transparent climate metric disclosures, supports the identification of climate-related transition risks and opportunities, and aids in setting baseline emissions for target-setting in alignment with net zero commitments.

Our climate policy reflects our commitment to support the transition away from carbon-based fuels and reduce financed carbon emissions from

clients in non-renewable energy sectors. The oil and gas sectors are a material source of such emissions. We have begun the process of measuring and disclosing our baseline financed emissions from our high priority emissions-intensive oil and gas portfolio.

Our focus in 2022 was exclusively on finance mobilised in CIB. In 2023, we undertook relevant due diligence and included asset pools from BCB (including solar installations for business properties) and PPB (including affordable housing home loans and green (EDGE certified<sup>2</sup>) home loans. While these transactions represent a small percentage of the total at present, this is expected to grow as the framework becomes embedded across business areas.

### Methodology

PCAF supports the estimations of financed emissions through a defined methodology for measurement, based on a range of different asset classes and data source options. Calculations are assigned a data quality score to facilitate transparency of disclosures and encourage improvements in data quality over time. The PCAF Standard also defines recommended minimum levels of disclosures. We have aligned our disclosures with these recommendations.

### Client engagement

We remain engaged with our clients to support their transition towards sustainability. This may initially lead to an increase in financed emissions.

We aim to refine our methodologies and enhance the reliability of our emissions data reporting, through continuous improvement in our verification processes and collaboration with third-party data providers and clients.

### Assurance

Our internal audit team has reviewed and validated our emissions accounting methods and data.

An external consultancy firm also provided limited assurance, assessing our process and methodologies in reaching the outcome, and readiness in disclosing our financed emissions baseline.





This has required consideration of the following:

<p><b>Portfolio and client coverage</b></p>	<p>In determining where material and measurable emissions reside, our initial focus has been on our exposures to upstream oil and gas companies involved in the exploration and production of crude oil and natural gas.</p> <ul style="list-style-type: none"> <li>■ We have excluded measurement of emissions from midstream and downstream entities for now, to limit double counting across the value chain.</li> <li>■ This is in line with guidance from the PCAF Standard which recommends that double-counting be minimised as much as possible<sup>1</sup>.</li> <li>■ Upstream emissions are generated from the energy required to power drilling rigs, pumps and other processes to extract the oil and gas<sup>2</sup>.</li> </ul>
<p><b>Asset class selection</b></p>	<ul style="list-style-type: none"> <li>■ PCAF defines the Project Finance asset class as all on-balance sheet loans or equities to projects or activities that are designated for specific purposes, that is, with known use of proceeds as defined in the GHG Protocol.</li> <li>■ Finance is thus intended for a defined activity such as construction and operation of a facility or plant.</li> <li>■ We have assessed the nature of our facilities to our upstream oil and gas clients and have determined that this asset class most accurately reflects the substance and intent of our financing activities.</li> <li>■ The formula for emissions estimations and attributions using the Project Finance asset class is shown below.</li> </ul> $\text{Financed emissions} = \sum_p \frac{\text{Outstanding amount}_p}{\text{Total equity} + \text{debt}_p} \times \text{Project emissions}_p$ <p style="text-align: center;">(p = project)</p>
<p><b>Financial parameters</b></p>	<ul style="list-style-type: none"> <li>■ In line with the PCAF methodology, our calculations use the apportioned value of on-balance sheet financing related to project finance.</li> <li>■ We include facilities with an original duration of 12 months or longer, as short-term financing often lacks the continuity and impact required for meaningful emissions accounting and reduction.</li> <li>■ We have also focused on lending where the association with actual emissions is clear. PCAF requires that the use and application of finance be followed as far as possible to establish a relationship with actual emissions in the real economy.</li> <li>■ We have excluded products where the relationship with emissions is not clear due to their indirect connection with production activities, which presents challenges in accurately assessing their emissions impact. Specifically, products that facilitate trade and the movement of goods, including limited recourse receivables finance and various trade finance products, have been omitted. These services are ancillary to the actual production processes and, thus, do not have a straightforward or measurable impact on emissions.</li> </ul>

<sup>1</sup> PCAF Financed Emissions Standard Part A at page 41.

<sup>2</sup> International Energy Agency: Emissions from Oil and Gas Operations in Net Zero Transitions – An Energy Outlook Special report on the Oil and Gas Industry and COP28 (2023).



Data quality	<ul style="list-style-type: none"> <li>To inform our estimations we have sourced emissions data on the business activities of our clients from an external data provider. PCAF assigns a data quality score of 2 (option 1b) <b>(see data quality score table)</b>, being the rating for unverified reported emissions for our scope 1 and 2 emissions, and a data quality score of 5 (option 3c) for our scope 3 emissions.</li> </ul>
Emissions scope	<ul style="list-style-type: none"> <li>We have estimated scope 1 and 2 absolute emissions associated with our financing to the upstream oil and gas sector.</li> <li>We acknowledge that scope 3 emissions encompass a wide range of indirect emissions, such as from the use of sold products and fuel used by consumers and form a material part of the overall oil and gas value chain emissions.</li> <li>While financial institutions can encourage companies to reduce these emissions, actual reduction is challenging because it involves changes in consumer behaviour, energy policies, and technological advancements across the global economy.</li> <li>We are intensifying our efforts to understand, measure, and calculate these emissions, while recognising these challenges.</li> </ul>
Financed emissions baseline	<ul style="list-style-type: none"> <li><b>The upstream oil and gas financed emissions baseline table below</b> summarises our baseline for financed emissions within the upstream oil and gas sector, with 2023 as our baseline year.</li> <li><b>The upstream oil and gas exposures and financed emissions table</b> reflects the measured exposure in our oil and gas portfolio, and the emissions intensity of our lending, being tCO<sub>2</sub>e/Rm. By correcting for loan growth year-on-year, the emissions intensity metrics will be used to assess how our financed emissions measurements align with our net zero commitments over time.</li> <li>We acknowledge that our baseline will change as we expand our coverage of clients and financial products, and improve data quality and methodologies. In subsequent reporting we will reflect and substantiate such changes accordingly.</li> </ul>

**Data quality score table for project finance asset class**

Data quality	Estimation option	Emissions measurement application		Quality
Score 1	Option 1 – reported emissions	1a	Verified project emissions are available	Most certain
Score 2		1b	Unverified emissions data on the project is available	
Score 3	Option 2 – physical activity-based emissions	2a	Emissions are estimated using physical activity data for project energy consumption and known emissions factors	
Score 4		2b	Emissions are estimated using physical activity data for project production and known emission factors	
Score 5	Option 3 – economic activity based emissions	3a	Emissions are estimated using sector factors or similar projects	
		3b	Emissions are estimated using sector economic activity-based factors	
		3c	Emissions are estimated using sector factors and sector asset turnover ratios	

Source – adapted from PCAF Financed Emissions Global GHG Standard Part A, Second Edition, 2022


**Upstream oil and gas financed emissions baseline**

Financed emissions (tonnes CO <sub>2</sub> e)	2023 (baseline)
Scope 1 and scope 2	461 510
Scope 3	5 169 196

**Upstream oil and gas portfolio – financed emissions measured**

31 December 2023	Standard Bank Group	On-balance sheet loans and advances		Financed emissions						
Note		Rm	%	Scope 1 and 2			Scope 3			
				Absolute financed emissions (tCO <sub>2</sub> e)	Emissions intensity (tCO <sub>2</sub> e/Rm)	PCAF data quality score and estimation option	Absolute financed emissions (tCO <sub>2</sub> e)	Emissions intensity (tCO <sub>2</sub> e/Rm)	PCAF data quality score and estimation option	
Total oil and gas		80 828	100%							
Total upstream oil and gas		18 655	23%							
Total upstream oil and gas measured for emissions	1	15 325	19%	461 510	30.11	2 (1b)	5 169 196	337	5 (3c)	

<sup>1</sup> On balance sheet upstream oil and gas exposures for facilities greater than 12 months duration measured according to the PCAF project finance asset class, amounting to 82% of total upstream oil and gas on balance sheet loans and advances

# ALIGNMENT TO TCFD

## Overview of alignment with TCFD recommendations

We aim to align with the disclosure recommendations published by the Task Force for Climate-Related Financial Disclosures (TCFD). We recognise that there are still gaps in our climate-related disclosures when assessed against TCFD and related guidance. We continue to work to improve our disclosures. The table below provides an overview of how we believe we are progressing.

TCFD Recommendation	SBG Progress	Page number
<b>Governance</b>		
Describe the board's oversight of climate-related risks and opportunities.	<p>We report on the role of group social, ethics and sustainability committee and group risk and capital management committee in:</p> <ul style="list-style-type: none"> <li>■ Setting climate targets and commitments for group</li> <li>■ Monitoring progress in meeting these commitments and targets</li> <li>■ Monitoring climate risks that may impact the group's risk profile and approving and monitoring risk appetite.</li> </ul>	9
Describe management's role in assessing and managing climate-related risks and opportunities.	<p>We report on the role of the:</p> <ul style="list-style-type: none"> <li>■ Group leadership committee, which oversees implementation of the climate policy and targets and reports to board on progress, supported by:</li> <li>■ Group risk oversight committee (GROC), which oversees climate risk management, including client and transaction screening and due diligence and climate risk appetite</li> <li>■ Group social and ethics management committee, which oversees SEE impacts, including climate related impacts.</li> </ul>	10 – 11
<b>Strategy</b>		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	<ul style="list-style-type: none"> <li>■ We report our time horizons and material climate-related opportunities for the group in the short and medium term</li> <li>■ We have taken a phased approach to setting sector-based targets, based on the materiality of each sector to our climate risk and impact</li> <li>■ We will reduce our exposure to high-emitting sectors in the short, medium and long term, in line with our climate policy and the need for a just energy transition that recognises Africa's energy poverty and historically small contribution to carbon emissions.</li> </ul>	12 – 13
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	<ul style="list-style-type: none"> <li>■ We report on our understanding of how climate-related opportunities and risks intersect with value creation for stakeholders</li> <li>■ Our climate policy sets targets/limits for sectors with high levels of risk exposure and excludes and restricts finance for specific activities. It also sets targets to increase our sustainable finance activities, including finance for renewable energy</li> <li>■ We have expanded our products and services and engaged with clients to explore opportunities for new business development</li> </ul>	13
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario.	<ul style="list-style-type: none"> <li>■ We have begun to quantify our exposure to climate risk and risk of stranded assets in high-emitting sectors, using the NGFS climate scenarios. We will participate in a regulatory stress test in 2024 with the South African Reserve Bank.</li> </ul>	18 – 19



TCFD Recommendation	SBG Progress	Page number
<b>Risk management</b>		
<p>Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>Describe the organisation's processes for managing climate-related risks.</p> <p>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management</p>	<ul style="list-style-type: none"> <li>■ We report on the group climate risk management framework, including how climate risk relates to other risk types and the group's enterprise-wide risk management approach</li> <li>■ We report on climate scenario analysis and stress testing work underway in the group</li> <li>■ We have a qualitative climate risk appetite statement aligned with our climate policy</li> <li>■ We have enhanced screening of clients and transactions at origination for sectors exposed to high transition and physical risk</li> <li>■ We have updated our group credit risk governance standard to include climate-related financial risk.</li> </ul>	14 – 15
<b>Metrics and targets</b>		
<p>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes</p>	<ul style="list-style-type: none"> <li>■ We report the metrics we currently use (lending exposure to high-emitting sectors as a proxy indicator)</li> <li>■ We have adopted the PCAF methodology</li> <li>■ In 2024 we disclosed financed emissions in respect of upstream oil and gas</li> <li>■ We are working toward the disclosure of scope 3 financed emissions data for other sectors across our portfolio.</li> </ul>	39
<p>Disclose scope 1, scope 2, and if appropriate scope 3 GHG emissions, and the related risks</p>	<ul style="list-style-type: none"> <li>■ We report scope 1 and 2 emissions, and scope 3 emissions for direct operations (related to employee travel, waste disposal and paper use), for our operations in South Africa</li> <li>■ We have disclosed scope 1 and 2 emissions Africa Regions countries of operation</li> <li>■ We will report scope 3 financed emissions for sectors in addition to upstream oil and gas in due course.</li> </ul>	32 – 38
<p>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<ul style="list-style-type: none"> <li>■ Our climate policy provides commitments and targets for material sectors. This report provides an update on progress against these targets.</li> </ul>	24 – 31

