STANDARD BANK LIMITED
(“the Company” or “Standard Bank”)

NON-BINDING ADVISORY RESOLUTION PROPOSED BY STANDARD BANK SHAREHOLDERS AEON INVESTMENT MANAGEMENT AND JUST SHARE NPC

MARCH 2022

Resolution wording

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,[i] shareholders recommend and request that the Company and its Directors:

1. By no later than 31 March 2023, provide shareholders with a report on the Company’s progress, in relation to each relevant country of operation, in calculating its financed greenhouse gas emissions[ii] from its exposure[iii] to oil and gas[iv];

2. By no later than 31 March 2024, disclose the Company’s baseline financed greenhouse gas emissions from its exposure to oil and gas; and

3. By no later than 31 March 2025, update the Company’s March 2022 Climate Policy to include short-, medium-, and long-term targets for the Company’s financed greenhouse gas 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.

Explanatory note

On 23 April 2021, Standard Bank shareholders Aeon Investment Management, Abax Investments, Visio Fund Management (Pty) Limited and Just Share NPC co-filed a non-binding shareholder resolution seeking disclosure of Standard Bank’s plans, if any, to set and publish a strategy, and short-term, medium-term, and long-term targets, to reduce its exposure to fossil fuel assets on a timeline aligned with the goals of the Paris Agreement (“the Paris Goals”).[v]

Although Standard Bank did not table the resolution, it committed, on 20 May 2021, to publish, as part of its 2021 reporting to shareholders, a climate strategy, and short-, medium-, and long-term targets to reduce its exposure to fossil fuel assets on a timeline aligned with the Paris Goals.[vi]

On 16 March 2022, Standard Bank published its Climate Policy. The Climate Policy does not contain any short-term or medium-term targets for a reduction in Standard Bank’s exposure to oil and gas. In relation to long-term targets, the Climate Policy does not envisage any reduction in absolute financed emissions from oil and gas until 2040 at the earliest.

In addition to setting out some circumstances in which it will not provide funding,[vii] the Climate Policy only commits Standard Bank to seeking to reduce emissions **intensity** while managing its exposure to oil and gas, and to reducing the percentage of total group advances to particular projects.

By limiting its commitments in this way, the Climate Policy allows the bank to expand its financing of fossil fuels until at least 2040.

Significant absolute emission reductions by 2030 are crucial for limiting temperature rise to 1.5⁰C

Standard Bank’s reporting acknowledges that climate change is material and poses significant risks; including to its ability to generate value for its shareholders over time. In Standard Bank’s 2020 Thermal Coal Mining Policy, its 2020 Task Force on Climate-related Financial Disclosures Report, its 2020 Fossil Fuels Financing Policy, and its 2022 Climate Policy, the bank states that it supports the goals of the Paris Agreement, which include limiting the global temperature increase to 1.5ºC above pre-industrial levels.

Keeping the global average temperature rise to 1.5°C is essential to limit the worst impacts of global heating. This is only possible with immediate, rapid, and large-scale reductions in greenhouse gas (GHG) emissions.[viii]

Even factoring in the updated nationally determined contributions and other commitments submitted at COP26, annual global GHG emissions would need to be roughly halved by 2030 to become consistent with a 1.5°C least-cost pathway.[ix] Overshooting 1.5ºC will mean that "human and natural systems will face additional severe risks", including some that are "irreversible".[x]

The International Energy Agency's May 2021 *Net Zero by 2050* scenario finds that in order to achieve the 1.5ºC goal, "there is no need for investment in new fossil fuel supply".[xi] In fact, oil and gas production needs to fall by 3% each year until 2050 to meet the goals of the Paris Agreement.[xii]

Exceeding a 1.5º scenario jeopardizes the global economy. Under current emission trajectories, it is estimated that 10% of total global economic value could be lost by 2050.[xiii]

The Paris Agreement also recognises "the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities". Rapid and extensive scaling up of renewable energy generation is the most cost-optimal energy pathway for Africa, and presents significant economic benefits and opportunities. Expanding fossil fuel production runs counter to the urgent need to transition to a low-carbon, climate-resilient economy that will create new and better jobs, grow the economy, help protect the environment, and improve human health.[xiv]

As the largest African bank by assets,[xv] and Africa's biggest lender to the oil and gas industry, Standard Bank's lending, investing and other financial intermediary activities in Africa will influence whether or not the global temperature increase is kept to 1.5ºC, and whether or not a just transition is achieved.

The United Nations Environment Programme Finance Initiative's 2021 *Recommendations for Credible Net-Zero Commitments* state that "net-zero commitments which are not explicitly tied to, or do not follow specifically 1.5°C [Intergovernmental Panel on Climate Change (IPCC)] carbon budget (as derived from the consensus of IPCC 1.5°C scenarios) should not qualify as credible."

By failing to set credible, Paris and 1.5ºC-aligned targets to reduce its exposure to oil and gas, and instead adopting a Climate Policy which allows it to increase financing to oil and gas, Standard Bank is exposing itself to significant financial, reputational and litigation risks.

Endnotes

[i] As set out by Article 2.1(a) and Article 4.1 of the Paris Agreement.
[ii] Financed emissions are defined by the Partnership for Carbon Accounting Financials' (PCAF's) *Global GHG Accounting and Reporting Standard for the Financial Industry* as "[a]bsolute emissions that banks and investors finance through their loans and investments".
[iii] "Exposure" is defined as project finance, corporate lending, capital markets underwriting and facilitation, and investments.
[iv] This encompasses upstream, midstream and downstream activities, and includes: Integrated Oil and Gas; Oil: Crude Producers; Offshore Drilling and Other Services; Oil Refining and Marketing; Oil Equipment and Services; and Pipelines, as classified in FTSE Russell's Industry Classification Benchmark (ICB).
[v] https://justshare.org.za/wp-content/uploads/2021/05/Standard-Bank-advisory-resolution_Climate-Risk_April-2021.pdf
[vi] https://justshare.org.za/media/news/joint-statement-by-aeon-investment-management-abax-investments-visio-fund-management-pty-limited-just-share-npc-and-standard-bank-group
[vii] The Bank will not fund: companies with unrestricted flaring; "the extraction of tar sands or construction of associated export facilities, exploration and production of tight oil resources, and pipelines transporting a significant volume of tight oil and export terminals supplied by a significant volume of tight oil"; new coal-fired power plants or "the expansion in generating capacity of existing coal-fired plants"; and mountain-top removal.
[viii] The Intergovernmental Panel on Climate Change (IPCC's) Sixth Assessment Report (Working Group I – the Physical Science Basis).
[ix] https://wedocs.unep.org/handle/20.500.11822/37350 (post-COP26 Addendum to the United Nations Environment Programme Emissions Gap Report 2021).
[x] IPCC Sixth Assessment Report (Working Group II – Impacts, Adaptation and Vulnerability).
[xi] https://www.iea.org/reports/net-zero-by-2050 at page 21.
[xii] https://www.nature.com/articles/s41586-021-03821-8
[xiii] https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html
[xiv] See, for example:

- http://priceofoil.org/content/uploads/2021/10/Skys-Limit-Africa-Report-2021.pdf
- https://www.foei.org/wp-content/uploads/2021/08/Friends-of-the-Earth-Just-Recovery-Renewable-Energy-Plan-for-Africa-2021.pdf
- https://www.e3g.org/publications/the-failure-of-gas-for-development-mozambique-case-study/
- https://www.banktrack.org/download/locked_out_of_a_just_transition_fossil_fuel_financing_in_africa/07_md_banktrack_fossil_fuels_africa_rpt_hr_1.pdf
- https://www.iisd.org/publications/natural-gas-finance-clean-alternatives-global-south
- https://www.sapvia.co.za/wp-content/uploads/2021/05/SAPVIA-PV-Industry-Jobs-Study-Report-COMBINED.pdf
- https://www.irena.org/publications/2021/March/The-Renewable-Energy-Transition-in-Africa
- https://meridianeconomics.co.za/our-publications/
- https://www.tips.org.za/research-archive/sustainable-growth/green-economy-3/itemlist/tag/Renewable%20energy
- https://www.sacreee.org/sites/default/files/documents/files/GDP_SADC_Report_EN_Nov_16.pdf
- https://cer.org.za/wp-content/uploads/2021/09/Annexure-A_ESRG_New-coal-plants-South-Africa.pdf

[xv] Standard Bank Group Environmental, Social & Governance Report 2020 at page 49.