

Investec Limited's 2023 climate-related financial disclosures



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1. Introduction and key messages

On 30 June 2023, Investec published its fourth standalone climate-related financial disclosures report (“the 2023 climate report”) for the year ended 31 March 2023. For the first time, the company has also incorporated recommendations from the Taskforce on Nature-related Financial Disclosures (TNFD)¹ together with those of the Taskforce on Climate-related Financial Disclosures (TCFD). The TNFD disclosures are not covered in this briefing.

Investec’s dual-listing structure means that the 2023 climate report covers the activities of Investec plc (UK) and Investec Limited (Southern Africa). This analysis, however, covers the climate-related disclosures relevant to Investec Limited (Investec), unless applicable to the whole group.²

In June 2023, Investec updated its Fossil Fuel Policy for the first time since it was adopted in 2020. The policy addresses the bank’s approach to financing coal, oil and gas. The most notable update is Investec’s commitment to **decrease all thermal coal exposure to zero by 31 March 2030**.

Key messages

- Investec’s commitment to **decrease all thermal coal exposure to zero by March 2030** is the most ambitious target for reducing overall exposure to thermal coal of all the major South African commercial banks assessed by Just Share (Standard Bank, Nedbank, Absa, and FirstRand).³
- Investec’s **overall exposure to fossil fuels decreased by 32,77% in 2022**: oil exposure decreased by 76% and coal exposure by 24%, although the reason for these decreases is not clear. However, the bank’s **exposure to gas has increased** by 9%, in keeping with its position on continuing to finance gas as a “transition fuel”.
- Investec’s **renewable energy financing increased by 55% in 2022** (from R4 billion to R6.63 billion), with solar power making up most of its renewable energy portfolio. Investec encouragingly also recognises that renewable energy not only decarbonises the electricity sector, but also contributes to “energy access, security and affordability, especially in underserved communities”. Renewable energy now accounts for 63% of Investec’s total energy lending.

¹ P 8 2023 climate report.

² Just Share’s previous analyses also focused on the bank’s South African operations: <https://justshare.org.za/wp-content/uploads/2022/11/220323-How-SA-banks-are-doing-on-climate-risk-disclosure.pdf>; <https://justshare.org.za/media/news/investec-sets-new-benchmark-for-climate-risk-disclosure/>

³ Standard Bank Climate Policy: the bank plans to limit coal exposure to 0.50% of group loans and advances by 2030; Nedbank Energy Policy: the bank plans to restrict total financing in aggregate for coal mining companies, infrastructure related to thermal coal, and trade related to thermal coal to 0.50% of gross loans and advances by 2030; Absa 2022 TCFD report: the bank has set “sensitive sector financing limit caps” (SSFLC or “sector caps”) for the coal, oil and gas sectors. Absa’s SSFLC for coal is 0.04% of group loans and advances (including off-balance sheet items) by 2050; it also has a Coal Financing Standard; FirstRand Climate Change Policy: the bank has a cap on its coal financing drawn advances from 2% to 1.5% of advances from 2026 onward.



- Although, in compliance with the shareholder resolution passed in 2021, Investec's net-zero climate impact roadmap sets out short, medium and long-term targets for the decarbonisation of its financing portfolio, it lacks sufficiently detailed targets and strategies for the period 2035 to 2050, particularly relating to reducing its exposure to oil and gas from 2035.
- Having significantly under-estimated its scope 3 financed emissions in 2022, Investec has adjusted and improved its methodology for reporting on scope 3 emissions. The bank discloses its financed emissions for six key asset classes covering 77% of its total financed emissions.

2. Investec's climate action and exposure to fossil fuels and renewable energy

2.1. Investec's "net-zero climate impact roadmap"

In compliance with a shareholder resolution which passed with 99.9% support at its 2021 AGM, Investec has developed a roadmap for reducing its financed emissions. It refers to this as its "net-zero climate impact roadmap", and it incorporates short-, medium-, and long-term targets.⁴

This roadmap, through which Investec means to achieve its commitment to net-zero by 2050, sets out some important new commitments from the bank, including:

- as of 31 March 2023, Investec has stopped all limited recourse project financing to new thermal coal mines, regardless of jurisdiction. It also aims to have **zero coal exposure in its loan book** by 31 March 2027 for its UK operations, and **by 31 March 2030 for its Southern African operations**; and
- from 1 January 2035, **Investec Group will not finance new oil and gas extraction, exploration, or production.**

Investec's commitment on thermal coal is the most advanced of any of the big five commercial banks assessed by Just Share.

However, the commitment to stop financing new oil and gas only by 2035 is inadequate for a bank which recognises and is committed to climate science and which is a member of the Net-Zero Banking Alliance. Climate science requires emissions to be cut by nearly half by 2030, five years before this restriction would commence, and the International Energy Agency has made it clear that there is no room for developing new oil and gas in a net zero emissions scenario.⁵

⁴ P 12 2023 climate report

⁵ See, for example, IEA 'Emissions from Oil and Gas Operations in Net Zero Transitions' May 2023. The report states that "In the NZE Scenario, the global average emissions intensity of oil and gas supply falls by more than 50% between 2022 and 2030. Combined with the reductions in oil and gas consumption, this results in a 60% reduction in emissions from oil and gas operations to 2030".



The bank's target for ending new oil and gas financing by 2035 means that it can continue to finance oil and gas for another 12 years, and that the last loans to oil and gas may still be in place up until 2050 or close to 2050. This is not a climate science-aligned emission reduction strategy.

2.2. Exposure to oil and coal has decreased, but exposure to gas has increased

Investec's exposure to fossil fuels (excluding gas) has decreased overall in the past financial year, from R3.1 billion to R951 million, a decrease of 69%. Investec reports:

*We have seen a decrease in our fossil fuel exposure over the past year largely as a result of a decrease in coal and oil exposures, but are taking a cautious approach due to the needs and dependency of a developing economy on fossil fuels. ... Where possible we will manage this exposure against our fossil fuel policy while taking socio-economic factors and the country's ambitions towards a net-zero future into consideration.*⁶

The majority of this decrease in fossil fuel exposure is attributable to a significant reduction in Investec's exposure to oil, which it reports has decreased from R2.63 billion to R602 million (76.8%) over the reporting period.⁷ The bank does not explain the reason for this reduction.

Investec's exposure to coal also decreased slightly over the financial year - from R463 million to R349 million (24,6%). Coal makes up a small percentage of Investec Limited's loan book (3.3% of its energy portfolio).⁸

However, Investec's exposure to gas increased from R2.71 billion in 2022 to R2.95 billion in 2023, a 9% increase.⁹

Investec usefully separates its gas financing from overall fossil fuel financing, presumably due to its continued view of gas as playing an integral part in the transition "to a cleaner economy".¹⁰ However, this should not obscure the fact that gas is a fossil fuel and one of the largest sources of greenhouse gas emissions, particularly of methane which is 84 times more potent than CO₂ over a 20 year period.¹¹ There is a wealth of evidence that demonstrates that:

- gas is not clean nor climate or environmentally "friendly";
- gas does not bring economic prosperity; and
- the power sector does not require significant quantities of gas for energy access or security.¹²

⁶ P 73 2023 climate report

⁷ P 73 2023 climate report.

⁸ P 73 2023 climate report.

⁹ P 73 2023 climate report.

¹⁰ P 72 2023 climate report.

¹¹ See <https://www.iea.org/reports/methane-tracker-2021/methane-and-climate-change>; and <https://rmi.org/reality-check-natural-gas-true-climate-risk/>.

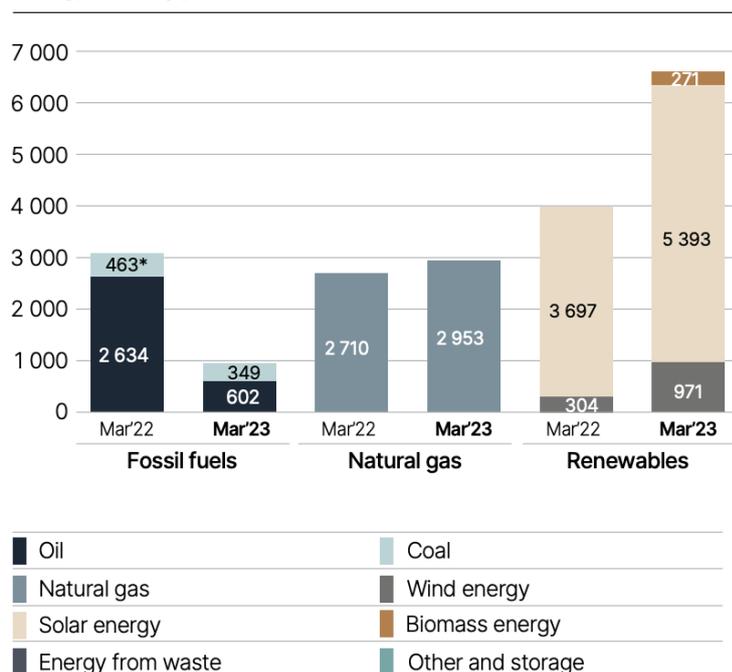
¹² See for example <https://justshare.org.za/media/news/just-shares-comments-on-the-dmres-gas-masterplan-basecase-report/> and the references therein: <https://www.e3g.org/publications/the-failure-of-gas-for-development-mozambique-case-study/>; <https://www.iisd.org/publications/natural-gas-finance-clean-alternatives-global-south>; <https://www.iisd.org/publications/report/south-africa-no-need-for-gas>; [---

Briefing: Investec Limited's 2023 climate-related financial disclosures](https://zerocarbon-</p></div><div data-bbox=)



The view that there should be more investment in gas because it is a “transition fuel” has no scientific justification, and fails to take into account the multiple studies and analyses by globally-respected institutions, including the Organisation for Economic Cooperation and Development,¹³ the United Nations Economic Commission for Africa,¹⁴ and the International Institute for Sustainable Development,¹⁵ that demonstrate that sustainable energy, and in particular decentralised renewable energy, represents the fastest, most cost-effective option for addressing energy poverty across the African continent.¹⁶

Energy lending portfolio for Investec Limited (R'mn)



Source: 2023 climate report p. 73

2.3. Scope 3 financed emissions

Investec has measured and disclosed its scope 3 financed emissions for the second year, using a baseline of March 2021.¹⁷ It has done so using the Partnership for Carbon Accounting Financials (PCAF) methodology for its material asset classes. Investec states that “this provided us with our

<https://www.banktrack.org/archives/energy/rapid-phasedown-of-natural-gas>; <https://climateactiontracker.org/publications/natural-gas-in-africa-why-fossil-fuels-cannot-sustainably-meet-the-continent's-growing-energy-demand/>; <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://dont-gas-africa.org/cop27-report>; <https://justtransitionafrica.org/>; <https://researchspace.csir.co.za/dspace/handle/10204/11483>; <https://meridianeconomics.co.za/our-publications/a-vital-ambition-determining-the-cost-of-additional-co2-emission-mitigation-in-the-sa-electricity-system-july-2020-for-the-best-quality-display-save-the-file-locally-and-open-it-with/>;

¹³ <https://www.oecd.org/environment/cc/climate-futures/>

¹⁴ <https://www.irena.org/publications/2022/Feb/Towards-a-prosperous-and-sustainable-Africa>

¹⁵ <https://www.iisd.org/publications/natural-gas-finance-clean-alternatives-global-south>

¹⁶ <https://www.oecd.org/environment/cc/climate-futures/Achieving-clean-energy-access-Sub-Saharan-Africa.pdf>

¹⁷ P 75 2023 climate report.



2021 baseline emissions to serve as an input into the Science Based Target initiative (SBTi) tools to inform us towards net-zero targets aligned with the Paris Agreement goals”.¹⁸

Investec analysed its financed emissions within six material asset classes, making up 77% of its total financed emissions: energy generation, real estate, motor finance, aviation finance, mortgages and listed equity.¹⁹

By comparison, **FirstRand** in its last report disclosed financed emissions for its mortgages, commercial property, motor vehicle finance, agriculture, and corporate and investment banking portfolios (the latter included fossil fuels but excluded gas).²⁰ **Nedbank** has disclosed its financed emissions relating to its fossil fuel portfolio only,²¹ and **Absa** for its real estate and agriculture portfolios.²² **Standard Bank** has not yet begun disclosing its scope 3 financed emissions.²³ In order to comply with a shareholder resolution which passed with 99.7% shareholder support at the 2022 AGM,²⁴ Standard Bank must disclose a baseline of its financed GHG emissions from its exposure to oil and gas by 31 March 2024.²⁵

Calculated financed emissions

Investec’s scope 3 financed emissions increased 4,3%, from 2 932 207 tCO₂e in the previous period to 3 058 723 tCO₂e.²⁶ The graph on the next page shows the increase in Investec’s financed emissions from its baseline (March 2021) to the March 2022 financial period, for the asset classes for which the bank has calculated financed emissions.

¹⁸ P 68 2023 climate report.

¹⁹ P 68 and p 75 2023 climate report.

²⁰ <https://www.firststrand.co.za/media/investors/annual-reporting/firststrand-tcf-report-2022.pdf> p 68.

²¹ https://justshare.org.za/wp-content/uploads/2023/05/230529_Just-Share-briefing-Nedbank-climate-report_FINAL.pdf

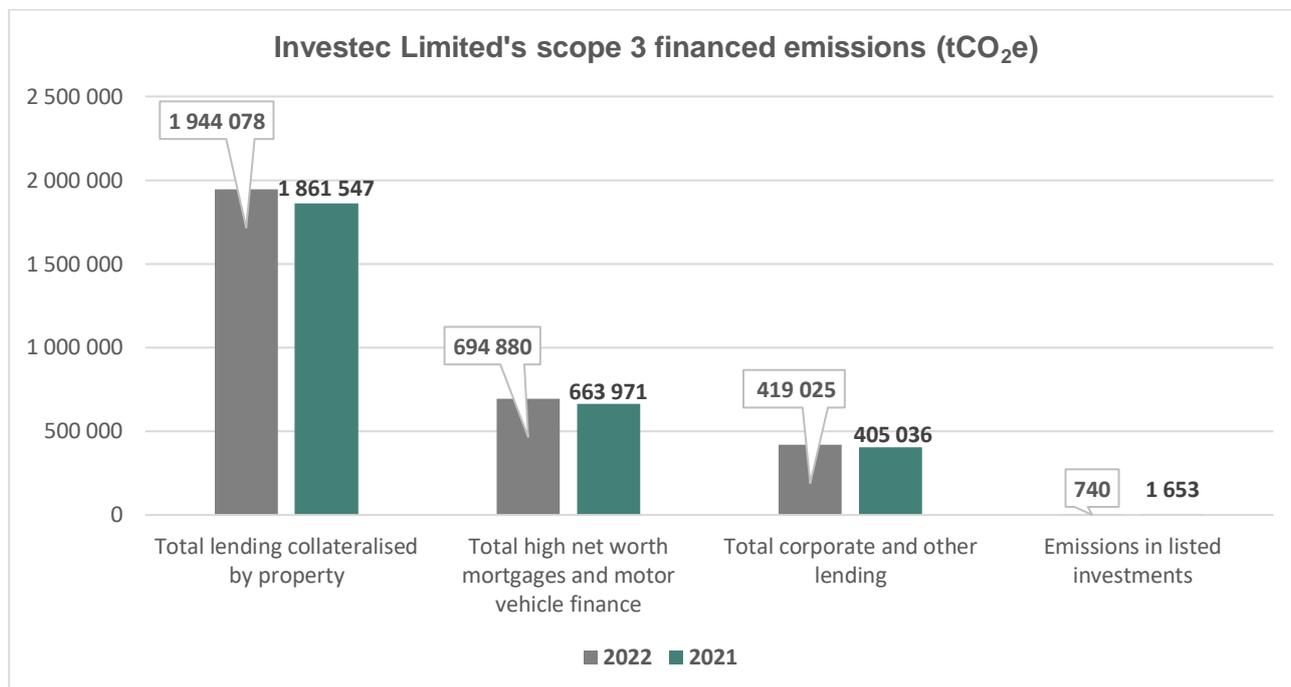
²² https://justshare.org.za/wp-content/uploads/2023/06/230612-Briefing-Absa-2022-TCFD-report_FINAL.pdf

²³ <https://justshare.org.za/wp-content/uploads/2023/04/JS-briefing-SBG-climate-report-April-2023.pdf>

²⁴ <https://reporting.standardbank.com/wp-content/uploads/2022/11/1668583060-SBKResultsofAGM310522V2.pdf>

²⁵ <https://justshare.org.za/media/news/standard-bank-climate-change-shareholder-resolution-2022-climate-policy-analysis/>

²⁶ P 75 2023 climate report.



Source: compiled from Investec's 2023 climate report p. 75²⁷

Most of Investec's financed emissions come from the "total lending collateralised by property" category (made up of commercial and residential real estate), with emissions of 1 944 078 tCO₂e, or 63.56% of total calculated financed emissions.²⁸

Investec Group last year made some errors in reporting its financed emissions for 2021,²⁹ in part due to the miscalculation of financed aviation sector emissions, but also because Investec's previous climate disclosure report omitted high-net-worth client loans for commercial and residential real estate.³⁰ It has now corrected these figures which has made a significant impact: Investec Limited's total scope 3 emissions for 2021 increased from 1 578 835 tCO₂e to 2 932 207 tCO₂e.

Financed emissions in the energy sector

Investec has reduced its overall exposure to fossil fuels by 32,77%, mainly attributable to a large drop in oil exposure. However, its exposure to gas has increased since the last reporting period.

²⁷ Investec reports emissions associated with small ticket asset finance, aviation finance, and power and infrastructure finance under 'corporate and other lending'.

²⁸ P 75 2023 climate report.

²⁹ P 113 Climate-related financial disclosures 2022.

³⁰ <https://www.businesslive.co.za/bd/companies/financial-services/2023-07-05-investec-climate-report-reveals-huge-calculation-error/>



Investec Limited energy portfolio breakdown (%)



	Mar'22	Mar'23
Coal	4.7	3.3
Oil and gas	26.9*	5.7
Natural gas	27.6*	28.0
Renewables	40.8*	63.0

* Restated

Source: 2023 climate report p.73

Investec previously employed the Paris Agreement Capital Transition Assessment (PACTA) methodology to calculate emissions and set targets for its power generation portfolio, but has now adopted a combination of PACTA and the Partnership for Carbon Accounting Financials (PCAF) methodologies. The bank reports that this enhancement of its methodology has resulted in a restatement of its 2021 emissions but provides a more “accurate and consistent representation of the emissions” and “ensure a more reliable assessment of our emissions performance.”³¹

When reporting on its financed emissions within the energy sector, Investec confines its disclosures specifically to its lending to power generation, which falls within the “power and infrastructure” category referred to elsewhere in its climate report.³² Emissions from power generation increased by 8% from 213 821 tCO₂e to 231 284 tCO₂e. In Rand terms, this was an increase of R533 million in gross core loan exposure which, is largely due to “the corresponding increase in exposure, particularly for gas”.³³

It is unclear whether Investec’s financed emissions for fossil fuels outside the “power generation” category have been included in its financed emissions calculations. We have asked Investec for clarity on this and await its response.

Investec’s scope 3 emissions disclosure, together with its expressed commitment to improving the quality of its disclosures, is impressive. However, it is not accompanied by a sufficiently urgent or meaningful strategy to reduce the bank’s scope 3 financed emissions along a timeline aligned with

³¹ P 77 2023 climate report for a full explanation of the change in methodology.

³² P 75 2023 climate report.

³³ P 77 2023 climate report.



the Paris Agreement. On the whole, when it comes to its financed emissions, the bank appears to rely on the strategies of the jurisdictions in which it operates to drive its own transition to net-zero.

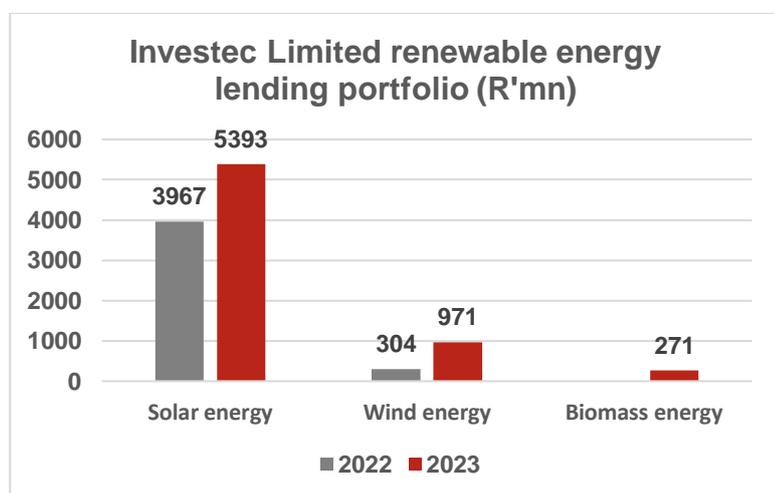
Investec reports that:

While we are limited to the enabling environment provided by the jurisdictions in which we operate, we would expect to see a decrease in overall Scope 3 financed emissions in line with the decarbonising strategies of the relevant sector and country. We caution that this is not necessarily a decrease from one year to the next but rather over a period of time as each country and sector adjusts and implements their respective net-zero strategies.³⁴

However, aligning its investment strategies with those of the countries in which it operates is insufficient to ensure that Investec's climate policy and lending targets will be aligned with the Paris goals. It is also an abdication of the financial sector's responsibility to send a strong market signal on climate action. The current global combined nationally determined contributions,³⁵ even if fully implemented, fall far short of what is necessary to prevent dangerous climate change.³⁶ Instead of financing fossil fuels on the basis that there is political support for such investments, banks should be showing leadership by aligning their decarbonisation strategies with climate science.

2.4. Renewable energy financing

Investec's renewable energy portfolio has increased significantly over the past two years. The graph below shows Investec Limited's renewable energy lending for 2022 and 2023.



Source: compiled from Investec's 2022 and 2023 climate reports p. 73

Investec's renewable energy lending increased from R4.27 billion in 2022 to R6.63 billion (55% increase) in 2023. For the first time it has included biomass energy under renewable energy financing

³⁴ P 75 2023 climate report.

³⁵ Nationally determined contributions are countries' national plans setting out how each country intends to meet its commitments under the Paris Agreement.

³⁶ <https://climateactiontracker.org/climate-target-update-tracker-2022/>



in Southern Africa. Renewable energy now accounts for 63% of Investec Limited's energy portfolio.³⁷ Nedbank is the only other big commercial bank which has a greater exposure to renewable energy than to fossil fuels.³⁸

Investec recognises that private generation of renewable energy “not only helps to reduce reliance on the national grid but also promotes a more distributed and resilient energy system with a higher renewable energy mix”.³⁹ The bank also recognises that:

*Financing renewable energy projects not only helps to decarbonise the energy sector but also contributes to energy access, security and affordability, especially in underserved communities. In addition, these financing activities can accelerate the transition towards a low-carbon economy and foster climate resilience.*⁴⁰

It is correct that decentralised renewable energy not only represents the fastest, most cost-effective option for addressing energy poverty across the African continent, to “unlock sustainable economic growth, improve human health and well-being and enable women and children to lead more productive lives”,⁴¹ but is also a financial opportunity and imperative.

3. Conclusion

The Intergovernmental Panel on Climate Change (IPCC) Synthesis Report of the Sixth Assessment, released in March 2023,⁴² again confirmed that there is a rapidly closing window of opportunity to secure a liveable and sustainable future for all. The IPCC confirms that, “The choices and actions implemented in this decade will have impacts now and for thousands of years”.⁴³

The IPCC starkly reiterates that climate change is driving widespread loss and damage to nature and people. Vulnerable communities - which have historically contributed the least to current climate change - are already being, and will continue to be, disproportionately affected.⁴⁴

Finance flows fall far short of the levels needed to meet climate goals across all sectors and regions.⁴⁵ To keep temperature rise to 1.5°C - the level essential to avoid the worst impacts of the climate crisis - we must halve global emissions by 2030.⁴⁶

The IPCC highlights that “all global modelled pathways that limit warming to 1.5°C (>50%) with no or limited overshoot [...] involve rapid and deep and in most cases immediate [greenhouse gas]

³⁷ P 73 2023 climate report.

³⁸ P 8 https://justshare.org.za/wp-content/uploads/2023/05/230529_Just-Share-briefing-Nedbank-climate-report_FINAL.pdf

³⁹ P 43 2023 climate report.

⁴⁰ P 38 2023 climate report.

⁴¹ <https://www.oecd.org/environment/cc/climate-futures/Achieving-clean-energy-access-Sub-Saharan-Africa.pdf>

⁴² <https://www.ipcc.ch/assessment-report/ar6/>

⁴³ IPCC AR6 SYR, SPM, C.1.

⁴⁴ IPCC AR6 SYR, SPM, A.2.

⁴⁵ IPCC AR6 SYR, SPM, A.4.

⁴⁶ IPCC AR6 WGIII, SPM, C.1.2.



emission reductions in all Sectors”.⁴⁷ Wind and solar energy are by far the lowest-cost options with the largest potential to reduce emissions by 2030.⁴⁸ Even continuing to operate existing fossil fuel infrastructure would exceed a 1.5°C carbon budget.⁴⁹

Investec recognises the significant risk posed by climate change to its business, and the impact of continued financing of fossil fuels on the climate. The bank’s acknowledgment of the importance of renewable energy financing for energy access and security is important.

However, if Investec’s lending activities are to match its understanding of climate risk, the bank must review its commitment to ongoing financing of oil and gas, and particularly its view of gas as a “transition fuel”.

Continuing to finance oil and gas up until 2035 means that Investec can increase its exposure to fossil fuels for more than a decade and retain oil and gas financing within its portfolio up until 2050. This is at odds with climate science and undermines the bank’s otherwise progressive understanding of the increasingly urgent action required to prevent catastrophic climate change.

End

⁴⁷ IPCC AR6 WGIII, SPM, C.3.

⁴⁸ IPCC AR6 SYR, SPM, C.3.

⁴⁹ IPCC AR6 SYR, SPM, A.6.