

# Standard Bank Limited's 2023 climate disclosures

Pre-AGM Assessment



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## 1. Introduction

- 1.1 On 28 March 2024, Standard Bank Limited (SBK) published its Climate-related Financial Disclosures Report 2023 (“the 2023 climate report”). The bank recognises that there “are still gaps in our climate-related disclosures when assessed against [the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)] and related guidance” and states that it will “continue to work to improve our disclosures.” The bank’s disclosures received a “C” score from CDP.<sup>1</sup>
- 1.2 SBK's on- and off-balance sheet exposure to fossil fuels increased by almost 12% from 2022 to 2023 (having increased by 22% from 2021 to 2022). Total exposure to fossil fuel power generation, coal mining and oil and gas (integrated, trading & retail, “services”, upstream, and midstream) in 2023 was R133,28 billion, compared to R119,4 billion for the previous year.<sup>2</sup>

### **SBK aims to use finance to mitigate emissions and adapt to climate change in sectors with elevated climate risk...**

- 1.3 Examples in the 2023 climate report of this use of finance include: in the agricultural sector, through “sustainable agriculture practices” and “climate-smart agriculture”;<sup>3</sup> and in the residential real estate sector, SBK aims to provide “physical solutions and financing to enable homeowners to become more energy efficient and resilient”.<sup>4</sup> It also identifies investment in renewable energy infrastructure as a priority.<sup>5</sup>

### **But also intends to further increase its exposure to fossil fuels**

- 1.4 SBK proclaims that it understands and supports climate science, and that it is aware of Africa’s severe vulnerability to climate risk. But this understanding and awareness appear to be playing no role in driving the bank’s climate finance strategy. It is impossible to reconcile SBK’s sustainable finance ambitions with its increasing financing of the fossil fuel industry.
- 1.5 SBK reports extensively on its financing of climate solutions but demonstrates no awareness of the extreme disconnect between this and the way it frames its financing of oil and gas across Africa as a moral duty in the interests of advancing development on the continent.<sup>6</sup>
- 1.6 The bank states that it supports “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”.<sup>7</sup>

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<sup>1</sup> Integrated report 2023 page 33.

<sup>2</sup> Climate report 2023 page 41.

<sup>3</sup> Page 28.

<sup>4</sup> Page 30.

<sup>5</sup> Page 23.

<sup>6</sup> Climate report 2023 pages 5, 11, 15, 26, 27 and 47.

<sup>7</sup> Climate report 2023 page 12.



## 2. SBK has not fully complied with the requirements of the 2022 shareholder resolution

- 2.1 SBK scored the lowest of the big five South African banks<sup>8</sup> in Just Share's November 2023 report "How cool is your Bank? An analysis of how South Africa's big five banks understand and manage climate risk." Although there have been some improvements this year when measured against the "How cool is your bank?" indicators, the real test of SBK's commitment to climate action will be in 2025, when it is required by the 2022 shareholder resolution to publish a strategy and targets for reducing its financed emissions from oil and gas in alignment with the Paris Agreement goal of limiting the global temperature increase to 1.5 degrees Celsius (°C) above pre-industrial levels.
- 2.2 The resolution, approved by 99% of shareholders at its 2022 AGM, required SBK to disclose, by 31 March 2024, its "baseline financed greenhouse gas emissions from its exposure to oil and gas".
- 2.3 SBK's disclosure this year of **some** of its baseline financed greenhouse gas (GHG) emissions from only its upstream exposure to oil and gas (with 2023 as the baseline year), means that each of the big five banks has now started to calculate and disclose a portion of its financed emissions from fossil fuel lending.
- 2.4 SBK reports that its scope 1 and 2 financed emissions are 461 510 tCO<sub>2</sub>e,<sup>9</sup> and that its scope 3 financed emissions are 5 169 196 tCO<sub>2</sub>e.
- 2.5 However, SBK has reported on its financed emissions for 82% of its total **upstream** oil and gas on balance sheet loans and advances, which constitutes only 19% of its oil and gas portfolio.<sup>10</sup> This is not the same as the requirement in the resolution, i.e. to disclose "baseline financed greenhouse gas emissions **from its exposure to oil and gas**" by 31 March 2024.
- 2.6 The bank has indicated to Just Share that its "intention is to broaden the value chain of the [oil and gas (O&G)] disclosures beyond upstream, now that we have the financed emissions process and methodology in place. We will cover finance[d] emissions for upstream O&G in all our markets in West, East and Southern Africa. We also intend to extend to midstream and other parts of the O&G value chain as we work on improving our data sources and engaging with our clients".
- 2.7 Given that SBK has not reported on financed emissions for around 80% of its oil and gas portfolio, it has a significant amount of work to do to set Paris-aligned targets, by 31 March 2025, for reducing financed emissions from oil and gas, as also required by the resolution.

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<sup>8</sup> Absa Group Limited, FirstRand Limited, Investec Limited, Nedbank Group Limited, and Standard Bank Group Limited.

<sup>9</sup> Tons of carbon dioxide equivalent.

<sup>10</sup> Climate report 2023 pages 42 and 46.



### 3. Protests against SBK's fossil fuel financing

- 3.1 SBK reports that it faced a “heightened level of protest on climate matters during 2023 and regret that one of these protests was not managed as well as it could have been. We reiterate our respect for all voices in public debate, our unqualified support for media freedom, and our unwavering commitment to the rule of law.”<sup>11</sup>
- 3.2 The bank summarises the priority issues for “communities and civil society” as including:
- Criticism of its Climate Policy, “which provides for financing of oil and gas projects within clear parameters, by environmental organisations who argue for rapid disinvestment from fossil fuels”;
  - Opposition to its “potential role as funders of the East African crude oil pipeline (EACOP). Physical protests have been staged at our offices in various cities”; and
  - Criticism of its treatment of protesters inside its offices. “On two occasions during the year, our security personnel physically removed protesters from inside our business premises in Johannesburg”.
- 3.3 What SBK does not relay is that a member of its security personnel was reported to have “assaulted, intimidated and manhandled” a journalist, for which it later apologised. The bank states that it has “reviewed its security protocols and provided additional training for security staff on appropriate responses to protests within our business premises”.<sup>12</sup>

### 4. SBK will not hold an in-person AGM in 2024

- 4.1 On 29 April 2024, SBK published its notice of AGM, indicating that its 10 June AGM will be held electronically only.
- 4.2 Just Share understands that SBK's decision to hold an electronic-only AGM was influenced by security concerns, primarily what it understood to be a threat presented to Sasol management and shareholders by the interruption of Sasol's November 2023 AGM. Just Share advised SBK in discussions that it had also attended Sasol's AGM, that there was no such risk, and that it would be inappropriate for the bank to respond by hosting an electronic-only AGM.
- 4.3 Nevertheless, SBK has opted for an electronic-only meeting. According to the notice of AGM, “The board is confident that this virtual approach will provide the most effective platform and opportunity for shareholders to participate in the AGM”. However, electronic-only AGMs can severely limit the ability of shareholders to participate effectively.
- 4.4 In April 2023, the Companies and Intellectual Property Commission (CIPC) published a legal opinion on the interpretation of section 63(2) of the Companies Act, 2008. According to the opinion, a company holding an AGM with shareholders attending online, must allow those

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<sup>11</sup> Integrated report 2023 page 6; Sustainability disclosures report 2023 page 5.

<sup>12</sup> Sustainability disclosures report 2023 page 19.



shareholders to ask questions verbally, in real-time and without an intermediary. If this is not done, the meeting will not constitute an AGM for purposes of the Companies Act.

- 4.5 The reversion to online-only AGMs by some JSE-listed companies, after they held hybrid AGMs last year, appears to be a deliberate strategy to shut down contestation on crucial issues, including the potential for protests. Such protests at AGMs are effectively managed by companies around the world, and preventing them by restricting participation to online-only engagement is a poor approach to corporate governance and stakeholder engagement.

## 5. Climate science and a just transition

- 5.1 SBK identifies climate change as “the single most pressing global issue of our time”.<sup>13</sup> It states that it acknowledges the climate science and Africa’s particular vulnerability to climate risk.<sup>14</sup>
- 5.2 The bank also says that it is committed to the goals of the Paris Agreement and aims 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”.<sup>15</sup>
- 5.3 However, as in other public disclosures, SBK presents the urgent need for decarbonisation to avoid the worst impacts of the climate crisis as an issue to be “balanced” against “access to electricity, energy security, food security, economic growth and human development”. It relies on Africa’s small contribution to GHG emissions and the principle of common but differentiated responsibilities to justify its view that “African nations have the right and urgent duty to develop their natural resources and economies to improve their people’s lives”.<sup>16</sup>
- 5.4 The bank reports that “in multiple trade association engagements on climate change, at global, regional and national levels”, it “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”.<sup>17</sup>
- 5.5 In this regard, SBK’s latest reporting suite has made even clearer than before that, in its view, “a just transition in Africa” includes a “substantial role for transition fuels like natural gas”.<sup>18</sup> SBK makes no attempt to reconcile the glaring discrepancy between this position, and its claimed commitment to the goals of the Paris Agreement.
- 5.6 SBK reports that it “anticipate[s] an increase in gas exposure up to 2030, in line with our recognition of gas as a transition fuel, followed by a decline after 2030”.<sup>19</sup>

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<sup>13</sup> Integrated report 2023 page 6.

<sup>14</sup> Climate report 2023 pages 5-6.

<sup>15</sup> Climate report 2023 page 6.

<sup>16</sup> Climate report 2023 page 5.

<sup>17</sup> Climate report 2023 page 15.

<sup>18</sup> Climate report 2023 page 5.

<sup>19</sup> UN Principles for Responsible Banking Reporting and Self-assessment 2023 page 16.



- 5.7 It states that it will “reduce lending to clients in high emitting sectors, namely coal, oil and gas, by 2050 ...in a gradual and considered manner that supports our commitment to a just energy transition, the needs of our clients as they transition to a low carbon economy, and African countries’ various nationally determined contributions and transition pathways”.<sup>20</sup>
- 5.8 As Just Share has pointed out, including in our 2022 and 2023 analyses of the bank’s disclosures, this view - and other misleading African development narratives relied on by SBK – is not supported by science. Rather, it is used in support of the bank’s intention to continue to benefit from the profits generated by lending to the oil and gas industry, while deploying sustainable lending to greenwash its contribution to the climate crisis.
- 5.9 As set out above, the resolution approved at SBK’s 31 May 2022 AGM requires that the bank’s Climate Strategy be updated by March 2025 to include oil and gas emission reduction targets **aligned with limiting global temperature increase to 1.5°C** – not targets aligned with the bank’s view that fossil fuels are required for a just transition and/or that it is Africa’s “turn” to develop its fossil fuel resources. Any failure to demonstrate such alignment with 1.5°C will mean that the bank has also in this respect not complied with the resolution to which it agreed in 2022 and for which there was overwhelming shareholder support.

## 6. Funding fossil fuels versus funding renewable power

- 6.1 SBK has prioritised renewable energy as one of its six “energy transition levers”<sup>21</sup> and indicates that it “aim[s] to lead Africa’s just energy transition”.<sup>22</sup>
- 6.2 The bank’s March 2022 Climate Policy states that it “aims to provide an additional ZAR 50 billion of financing for renewable energy power plants over the next three years and to underwrite the financing of a further ZAR 15 billion of renewable energy power plants over the same timeframe”. The timeframe here is quite unclear (the 2023 climate report<sup>23</sup> reports it as “2022-2024” and - presumably mistakenly - indicates that phase 1 started in March 2023, rather than March 2022). Be that as it may, by 31 December 2023, the bank reports that it had provided R33,6 billion, or 52% of its target.<sup>24</sup> It takes the view, however, that it is “on track to deliver against our target”.<sup>25</sup>
- 6.3 As it has done in the past, SBK highlights its funding to renewable **power** projects over its funding to fossil fuels more generally. It states that its funding for renewable energy was five times greater than for non-renewable energy.<sup>26</sup>

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<sup>20</sup> UN Principles for Responsible Banking Reporting and Self-assessment 2023 page 13.

<sup>21</sup> The other 5 are: decentralised energy, gas as a transition fuel, critical minerals, green hydrogen, and transport.

<sup>22</sup> Climate report 2023 page 13.

<sup>23</sup> And UN Principles for Responsible Banking Reporting and Self-assessment 2023 page 14.

<sup>24</sup> Climate report 2023 pages 14 and 23.

<sup>25</sup> UN Principles for Responsible Banking Reporting and Self-assessment 2023 page 25. On page 16, the bank reports 67% progress on “Finance R50 billion of new renewable energy infrastructure by 2024.”

<sup>26</sup> Climate report 2023 pages 5, 12 and 23.



- 6.4 However, there were far more limited opportunities in 2023 to fund fossil fuel **power** than renewable power, and apart from an exclusion of funding to new coal-fired power, the bank has made clear that it is open to funding fossil fuel electricity projects. In fact, it identifies gas-to-power as a key focus area.<sup>27</sup>
- 6.5 A much more useful indicator to assess is the share of financing for renewables in the bank's total energy financing. Using total amounts (both on- and off-balance sheet), in 2023, renewables made up almost 26% (R34,6 billion) of the bank's total energy financing (R133,28 billion), with fossil fuel financing constituting the remaining 74%.<sup>28</sup> In addition, as set out above, SBK has again increased its exposure to fossil fuels year-on-year.
- 6.6 SBK has targeted the reduction of group advances to upstream oil by 5% by 2030. By 31 December 2023, this exposure had **increased by 34,59%**.<sup>29</sup> This it attributes to "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". The bank states that its asset portfolio primarily consists of short-term (0-5 years) and medium-term (5-10 years) holdings and that, for upstream oil, "the largest assets will be fully repaid within three years, in alignment with our 2030 commitment".<sup>30</sup> Elsewhere the bank states that this increase "was primarily due to facilities provided to support increased oil production in existing oil blocks. These facilities are amortising and will reach zero by end of 2029."<sup>31</sup>
- 6.7 These figures demonstrate what Just Share has repeatedly pointed out in its analyses of banks' climate disclosures: that setting a target which is framed as a percentage of group advances, rather than as an absolute reduction, is in fact a mechanism to allow for increased fossil fuel funding.

## 7. Client transition plans

- 7.1 SBK states that, where clients "publicly disclose this information", it reviews client transition plans. It recognises "the need to further develop in-house capacity to assess the credibility and feasibility of transition plans".<sup>32</sup>
- 7.2 As part of its environmental and social screening process, SBK indicates that transactions should be aligned to its Climate Policy "and our clients should have emissions reduction targets and reduction initiatives in place. For Equator Principles transactions, clients must undergo a climate change risk assessment (CCRA)".<sup>33</sup>

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<sup>27</sup> Climate report 2023 page 27.

<sup>28</sup> Climate report 2023 page 41.

<sup>29</sup> Climate report 2023 page 14.

<sup>30</sup> Climate report 2023 page 26.

<sup>31</sup> UN Principles for Responsible Banking Reporting and Self-assessment 2023 page 16.

<sup>32</sup> Climate report 2023 page 16.

<sup>33</sup> Sustainability disclosures report 2023 page 85.



- 7.3 In relation to oil and gas, the bank states that its focus is on financing clients with a “corporate net zero or energy transition strategy”. New clients and all oil or gas transactions of longer than 12 months must be assessed for alignment with the bank’s Climate Policy and to “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”.<sup>34</sup> One of these assessment criteria is a “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”.<sup>35</sup>
- 7.4 Just Share asked SBK whether any potential transaction had ever been turned down based on non-compliance with these criteria. The question was not answered, with the bank saying that it “undertakes a rigorous due diligence process”.

## 8. Board climate competence and conflicts

- 8.1 “How cool is your bank?” revealed that SBK had the highest number of potentially conflicted board members of all big five banks and was one of only two banks (the other being Absa) where no board members could be identified as having climate-related qualifications, expertise and/or experience.
- 8.2 Apart from the addition of Sola David-Borha, SBK has the same board members as in the previous financial year. Although the bank’s reporting only mentions the retirement of Atedo Peterside after the 2024 AGM, more recent reports state that Dr Xueqing Guan will also resign then.
- 8.3 SBK reports that eight of its directors have “environmental and social skills”, which it describes as “knowledge and experience in how the group’s activities affect the environment (including the impact on climate change) and society (including consumers and communities)”.<sup>36</sup> Last year it reported that seven directors had this expertise.<sup>37</sup>
- 8.4 The climate skills, expertise and/or experience of the bank’s directors were assessed based on their biographies provided by the banks, supplemented by independent desktop research. This assessment was not able to identify any SBK director with specific climate-related expertise or experience.
- 8.5 SBK also reports this year that:
- “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”.<sup>38</sup>

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<sup>34</sup> Climate report 2023 pages 26 and 27.

<sup>35</sup> Climate report 2023 pages 26 and 27.

<sup>36</sup> Governance report 2023 page 21.

<sup>37</sup> Governance and remuneration report 2022 page 29.

<sup>38</sup> Climate report 2023 page 8.



- “We continue to search systematically for a potential director with deep expertise at the intersection of financial services and ESG (particularly climate issues and finance), but the talent pool is not large and demand is very high. For the time being, we obtain expert advice as required”.<sup>39</sup>

## 9. Looking ahead

- 9.1 In addition to updating its Climate Policy by March 2025 to include Paris-aligned emission reduction targets for oil and gas, and strengthening its climate risk management, SBK sets out several other priorities for the year ahead.
- 9.2 In the first half of 2024, the bank states that it will conclude an internal audit of its environment and social risk management process, and its process for reporting against its climate commitments and targets. The 2023 climate report states that “action plans to address areas for improvement will be developed” thereafter.<sup>40</sup>
- 9.3 This year, SBK will assess emissions financed, facilitated and insured across additional sectors and in 2025, it will publish financed emissions, targets and commitments for additional sectors.<sup>41</sup>
- 9.4 The bank reports that it is building stress testing capacity in advance of the South African Reserve Bank’s mandated climate risk stress test this year.<sup>42</sup>
- 9.5 SBK also states that it will progress its work on integrating biodiversity and nature risk assessments into its risk management systems, “aligning to global guidance on nature-related/ biodiversity impact and risk assessment”.<sup>43</sup>

**End**

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<sup>39</sup> Integrated report 2023 page 7.

<sup>40</sup> Page 10.

<sup>41</sup> Climate report 2023 pages 6, 7 and 21.

<sup>42</sup> Climate report 2023 page 21.

<sup>43</sup> Sustainability disclosures report 2023 pages 5, 9 and 19.