Standard Bank Group

CLIMATE POLICY

March 2025

Standard Bank Group Policy	
Name	Standard Bank Group (SBG) Climate Policy
Abstract:	The SBG Climate Policy sets out the principles under which SBG aims to achieve net zero across our lending and investment portfolio by 2050, and net zero in respect of our own operations by 2040. It includes a description of our approach to managing climate opportunity and risk, and a summary of commitments per priority sector.
Level:	SBG
Classification:	Internal and External use
Owner:	Group Sustainability
Approved by:	SBG Board
Approval date:	March 2025
Effective date:	March 2025
Next review date:	March 2028
Contact:	GroupSustainability@standardbank.co.za +27 11 721 5681

Classification

This document has been issued strictly for internal and external business purposes of Standard Bank Group Limited and its subsidiaries.

Standard Bank Group Climate Policy

Contents

1 Policy Statement

1.1 Objectives

Our approach to managing climate-related opportunity and risk is grounded in our Group purpose: Africa is our home; we drive her growth. We take Africa's environmental, social, and economic context, and the imperative of a just energy transition, as our starting point.

Our role in leading Africa's energy and infrastructure development is central to maximising positive impact. We partner with Africa's governments and businesses to mobilise the investment needed to enable access to affordable and reliable energy, with a strong focus on renewable energy, together with water, roads, transport and telecommunications. At the same time, we implement appropriate risk management to protect the functioning of the environmental ecosystems on which we depend.

As an African bank, with a deep understanding of Africa's economic and developmental challenges, we take a considered and responsible approach to decarbonisation. In 2022, Africa was responsible for just 3.7% of global energy-related carbon emissions. However, Africa's share of global GHG emissions could rise to between 5% and 20% by 2100, even with moderate economic and population growth.[1] Guided by the need for a just energy transition, and the Paris Agreement's principle of 'common but differentiated responsibilities', we recognise that while there is a duty on all countries to take climate action, the types of action they take will depend on their national circumstances. Many African economies depend on non renewable exports for government revenues, economic stability, and public services. Transitioning away from these resources requires careful planning to avoid economic disruptions and ensure a just transition[2] Rapid disinvestment in coal, oil and gas production is neither practical nor responsible in African economies with a heavy reliance on these fuels.

While we support the transition to lower-carbon energy sources, we believe that energy security and economic growth still require substantial non-renewable inputs. An integrated approach that considers renewable energy, battery storage, and some capacity from carbon-based fuels, is prudent to ensure energy reliability, access and efficiency in harmony with preserving our environment and climate. In this context, SBG will continue to support the development of affordable, reliable and sustainable

[1] International Energy Agency (IEA) 'Africa', https://www.iea.org/regions/africa; Wang J et al (2024), Investigating the fast energy-related carbon emissions growth in African countries and its drivers, https://www.sciencedirect.com/science/article/pii/S0306261923018585; Kalvin, C (2014) The effect of African growth on future global energy, emissions, and regional development, https://www.cmcc.it/wp-content/uploads/2015/02/rp0214-cip-01-2014.

[2] IEA Africa Energy Outlook 2022" https://iea.blob.core.windows.net/assets/220b2862-33a6-47bd-81e9-00e586f4d384/AfricaEnergyOutlook2022.pdf

energy infrastructure for Africa's people, while ensuring that all projects are designed and implemented with robust environmental and social impact and risk controls, as part of clients' transition strategies, and within the parameters of our Group climate policy and targets.[3]

1.2 Approach

Climate risk mitigation and adaptation is one of SBG's four impact areas and is recognised as a material risk and opportunity by the Group. Physical and transition risk are present across our presence countries and operations, with varying levels of intensity. Our most material exposure to climate risk is through our credit risk exposures that arise from the loans and advances that we make to clients who are impacted by climate-related physical and transition risks. 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.

We depend on complementary mechanisms to achieve our net zero ambitions, inclusive of:

- Active portfolio management, as we work toward reducing the physical intensity of our financed emissions, inclusive of certain exclusions and restrictions on lending and investing in specific high-emissions sectors, and targets to decrease the physical intensity of our financed emissions in high carbon emitting sectors such as oil and gas [4]
- Mobilisation of sustainable finance, including green finance, and active pursuit of a low-carbon energy mix, with a target to increase our lending and investment in sustainable, gas and low-carbon energy technologies
- Robust due diligence and responsible client selection, together with ongoing client engagement regarding sector transition pathways and the potential for technological developments to support and accelerate Africa's clean energy transition
- Advocacy for supportive policy and regulatory frameworks at national and regional level.

[3] The IEA's Announced Pledges scenario (APS; limiting temperature increase to 1.7 degrees Celsius) recognises an ongoing need for oil and gas resources. It estimates oil investments will average USD378 billion each year from 2022 to 2050 globally in the APS, making a cumulative oil investment total of approximately USD11 trillion globally. The sector is expected to be consolidated to include a smaller number of low-cost, responsible producers. The scenario recognises that changes in the energy system will take time, as energy infrastructure components have long asset lives and require cross-sector, system-wide changes and retrofits to meet new specifications.

[4] As per the IEA definition, gas primarily includes natural gas, liquefied petroleum gas, methane-rich gas, biogas and renewable natural gas

When assessing the materiality of climate-related risks and opportunities, and in setting targets to address these, we use the following timeframes:

- Short-term: <5 years
- Medium-term: 5 to 10 years
- Long-term: >10 years

Our approach is two pronged:

Maximising climate-related opportunities

- We partner with our clients to support their transition journeys and strengthen their resilience to climate risk.
- We are a leading financier of Africa’s transition to renewable energy solutions, including grid-tied and decentralised infrastructure and solutions for businesses and homes.
- We partner with Africa’s farmers and agro-processors to support the adoption of climate-smart agriculture practices, including renewable energy solutions, water-saving solutions, energy efficient equipment and sustainable technologies.
- We partner with businesses across Africa to assist clients seeking sustainable power, water and waste management solutions.
- We partner with our clients in the residential and commercial property sectors to incentivise green developments and retrofits to support energy efficiency, renewable energy solutions, emissions reduction and water efficiency, and explore options to enable climate adaptation and risk mitigation.
- We actively identify opportunities to support the energy transition and expand our sustainable finance offerings.

  We have launched a carbon trading business equipped to trade carbon credits aligned with internationally recognised standards, ensuring a secure and reliable trading environment.

Managing climate-related risks

- We prudently manage climate risk in relation to our business activities, aligned to our risk appetite.
- We have set targets for the reduction of financed emissions in relation to our oil and gas portfolio and look to expand this to other sectors.
- We are steadily reducing emissions associated with our direct operations, with a commitment to achieving net zero emissions for our own operations by 2030 for newly built facilities and by 2040 for existing facilities.
- We provide training for board members and relevant employees on climate-related issues.

We have taken a phased approach to setting climate targets at sector level, taking into account government policy and regulatory frameworks, sector transition pathways and available technologies, and the level of material exposure to risk and opportunity within our lending portfolio. Our 2022 climate policy included targets in relation to:

- The mobilisation of sustainable finance solutions, including financing for renewable energy infrastructure
- Mobilisation of finance for climate smart agriculture
- Reduction of emissions associated with our direct operations (scope 1 and 2 emissions)
- Limiting our lending exposure to high-emitting sectors, namely thermal coal, coal-fired power, oil and gas (focusing on upstream exposures), in the medium to long-term.

In 2023, we adopted additional targets, in relation to the mobilisation of finance to support climate-risk mitigation in relation to residential and commercial property. We also assessed climate-related risk in relation to short-term insurance. In 2024, we expanded our focus to include downstream oil and gas and assessed potential risk in relation to long-term insurance, asset management and transport. We have also begun to assess risk in relation to the industrials sector, with a focus on steel and cement.

Phase 1 (2022)	Phase 2 (2023)	Phase 3 (2024)	Phase 4 (2025)
Sustainable finance Renewable energy Thermal coal Coal-fired power generation Oil and gas Agriculture Own emissions	Residential real estate and personal lending Commercial real estate Short-term insurance	Downstream oil and gas Long-term insurance Asset management Transport	Industrials sector, including steel and cement

1.3 Approach to target setting

Over the past three years, we have improved the quality of our data and made progress on measuring financed emissions in respect of priority sectors. We have set financed emissions reduction targets for our upstream oil and gas portfolio, and plan to set reduction targets for other priority sectors. Our efforts to maximise positive climate action are reflected in our targets for the mobilisation of sustainable finance, including green finance. Our activities in multiple sectors, including renewable energy, residential and commercial real estate and asset management, contribute to these targets.

Steps and considerations for setting of sector-based financed emissions targets

We have engaged external experts to support us in developing appropriate targets for the reduction of financed emissions in relation to our oil and gas portfolio. We will adopt similar processes for other priority sectors. We note that our reductions targets must be considered in the context of SBG's presence in a number of countries that are currently pursuing the growth of energy infrastructure, our role as a major financier of African infrastructure projects, and the need to continue to provide services to state-owned electricity companies, some of which are heavily dependent on carbon-based fuels, to maintain energy security and the stability of national grids.

Approach to decarbonisation activities

We have identified a set of decarbonisation activities that support the climate and transition strategies of our clients in high emissions sectors. These activities support our view that gas plays an important role as a transition fuel. They include gas production, distribution and storage, which we see as important activities that will reduce emissions, alongside an accelerated rollout of renewable energy on the continent.

While we will continue financing these decarbonisation activities, only a subset of these count towards our sustainable finance mobilisation targets. In collaboration with an independent consultant, we have identified eligible transition finance activities that will count towards our sustainable finance mobilisation targets in sectors like energy, chemicals and cement.

Decarbonisation activities	Transition Finance (TF)*
All Transition Finance eligible activities	Energy (blending of low carbon fuels, use of gas for heating, cooling and electricity generation)
Renewable energy generation for use in existing coal, oil and gas activities	Infrastructure (efficiency improvements, gas related)
Gas production and use	Cement: input substitution/ energy efficiency in cement production
Liquid Petroleum Gas (LPG)	Chemicals
Transport and distribution of gas	Metals (aluminium, iron, steel)
Early decommissioning of coal assets	CCUS
Water and wastewater management for existing coal, oil and gas activities	Blue hydrogen Transportation
Transportation (efficiency improvements, or coal, oil and gas related)	
Reduced GHG emissions for sectors lacking credible transition pathways (e.g. blending low carbon fuels in thermal power plants, eliminating flaring, methane emission reduction and elimination)	
Agriculture: reduction of GHG emissions	
Carbon Capture, Utilisation and Storage (CCUS) for coal, oil and gas	
Critical minerals	

* Summary of sectors with eligible activities counting toward SF mobilisation target (reviewed by independent external consultant)

2 Climate commitments and targets

The climate commitments described below inform SBG's selection of and engagement with clients, and the allocation of financial resources. Commitments include certain exclusions and restrictions on lending in high emissions sectors.

2.1 Sustainable finance

SBG promotes positive impact through the mobilisation of sustainable finance, including green and social finance. Our Sustainable Finance frameworks ensure consistency, transparency and credibility in reporting on progress against our sustainable finance targets.

a) The Sustainable Finance Framework (“SFF”) covers eligibility requirements for use of proceeds from treasury transactions and supports green, social and sustainable bonds and loans raised by the Group or its subsidiaries. The SFF benefits from a second party opinion.

b) The internal Sustainable Finance Product Framework (“SFPF”) details the eligibility requirements for use of proceeds (green, social, sustainable, transition) and general purpose (sustainability-linked and pure play) transactions, aligned with the SFF for green and social eligibility. The green and social eligibility criteria aligns with the SFF. Transition eligibility criteria has been reviewed by an independent external consultant.

c) The internal Sustainable Finance Governance Framework (“SFGF”) details the governance process in relation to the labelling of sustainable finance transactions.

d) SBG has set ambitious targets for the mobilisation of sustainable finance by 2028, as well as sub targets focused on green finance and social finance mobilisation. These targets and our progress against them are published in the annual Climate-related Financial Disclosures report and are subject to independent verification.

2.2 Renewable energy

SBG prioritises the mobilisation of finance for the construction, generation and maintenance of renewable power and associated infrastructure, including wind, solar, hydro and ocean power. This includes:

- Large-scale renewable energy infrastructure
- Decentralised, off-grid, captive power including embedded power generation, wheeled power and aggregator models, particularly for energy intensive users such as the mining, industrials, consumer and cement sectors
- Solar-based mini-grids and stand-alone systems in areas under-served by transmission networks
- Solutions to enable households and small to medium sized businesses to adopt energy efficient and renewable energy solutions.

The mobilisation of finance for renewable energy contributes to SBG’s target for mobilisation of sustainable finance (green finance) and is tracked and reported publicly.

2.3 Thermal coal

SBG is committed to supporting economies to transition away from a dependence on coal-fired power generation over the short to medium term. We commit to providing finance for coal only where the use of such an energy source can be justified as part of a clear and identifiable energy transition pathway as outlined in the South African Integrated Resource Plan.

SBG's thermal coal exposures are predominantly in Southern Africa. South Africa's proposed Integrated Resource Plan 2023 proposes completing 1 440 MW of new coal (already under construction), indicating that South Africa's transition away from coal is likely to be over a longer period and that energy security in the Southern African region will remain dependent on coal-fired power for some time.

SBG is committed to limiting exposure to this sector in the medium term, while continuing to engage and support our existing clients as they transition to a low carbon economy. We are committed to limiting our thermal coal exposures as a percentage of Group loans and advances 0.5% by 2030, and to reducing finance (as a % of total Group advances) to existing power sector clients generating power predominantly from coal to 0.15% by 2026, and 0.12% by 2030.

a) SBG has established a financed emissions baseline.
b) SBG will consider finance for the refurbishment of existing coal-fired power stations where the purpose is to improve efficiency and reduce carbon emissions and where refurbishment is part of a clearly defined decarbonisation plan aligned to net zero by 2050.
c) SBG will continue to support engineering and services industries providing inputs to the coal value chain.

a)

SBG will not finance:

a) The construction of new thermal coal-fired power plants
b) Expansion in generating capacity of existing coal-fired power plants
c) New coal mines, except where such a development improves operational efficiency.

2.4 Oil and gas

SBG recognises the need to actively manage our exposures to oil and gas over time as part of a broader transition to net zero, while continuing to support and prioritise social and economic development in Africa. Our focus is on upstream oil and gas clients. Upstream oil and gas producers account for a significant share of the operational emissions across the oil and gas value chain. Within Standard Bank's oil and gas portfolio, upstream producers account for almost 80% of Scope 1 and Scope 2 operational emissions.

Our target is for a 10% improvement in the average physical intensity (kgCO_2e/boe) of the upstream oil and gas portfolio, focusing on operational emissions (2024 base year and 2030 target year), combined with a target to limit exposure to upstream oil and gas to less than 30% of the energy book and less than 3% of SBG's total loans and advances by 2030.

In setting our target, we referenced the IEA's Announced Pledges Scenario (APS). The APS is a global decarbonisation scenario that assumes all governments around the globe meet their climate-related commitments on schedule. This pathway is consistent with a temperature rise of 1.7°C in 2100 (with a 50% probability). The IEA Net Zero by 2050 scenario (NZE scenario) assumes a more ambitious decarbonisation pathway that achieves a temperature rise of 1.5°C in 2100 (with a 50% probability). The APS assumes a 31% improvement in operational emissions intensity and the NZE assumes a 56% improvement in operational emissions intensity by 2030.

a) SBG will continue to finance oil and gas-fired power within the parameters described below, to ensure energy reliability, sustainability, and efficiency.
    - Clients receiving financing for oil and gas projects must follow a physical intensity reduction pathway. This includes a demonstrable emissions reduction strategy, including a net zero by 2050 strategy.
    - We commit to monitor these strategies annually to assess progress against client targets and alignment to net zero by 2050.
    - Any oil or gas transaction with a tenor of over 12 months must be assessed for alignment with the SBG climate policy and to determine climate-related risk and energy transition opportunities. If the assessment identifies areas of concern, these must be 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.

b) In the medium to long-term, we will provide finance for oil only where the use of such an energy source can be identified as an enabler to an energy transition pathway, or where future advances in technology emerge to mitigate environmental impacts.

c) We recognise gas as a transition fuel[5] and support medium term investment in this sector, prior to phasing down finance from 2045. We will prioritise:
    - Gas-related projects that have zero routine emissions and are committed to a pathway that reduces the carbon intensity of liquified natural gas plants

[5] IEA confirms that natural gas, which emits less carbon than most other fossil fuels, has a limited role as a transition fuel from coal to renewable energy sources. It also notes that natural gas power generation may still be needed as back-up for variable wind and solar power (https://www.iea.org/energy-system/fossil-fuels/natural-gas).

- Construction of gas-fired power plants that provide backup services as part of an integrated renewable energy power solution; or to enable the conversion of existing coal or oil-fired power plants as part of a clearly defined decarbonisation plan aligned to net zero by 2050. Such plants will have zero routine emissions.

d) Transnational pipelines will require enhanced due diligence:

e) The following activities will not be financed due to their high emissions intensity and misalignment with APS targets:
   - New oil-fired power plant construction or the expansion in the generating capacity of existing oil-fired power plants, except where such plants provide backup services as part of an integrated renewable energy power plant
   - Companies with unrestricted flaring for new assets. We require clients to provide timebound plans to eliminate flaring for existing assets
   - Any activity that requires significant induced stimulation, mechanical intervention or unconventional extraction techniques in order to primarily produce the resource (i.e. shale gas and shale oil extraction)
   - Any project outside Africa.

2.5 Agriculture

SBG aims to lead the transition to climate smart agriculture across the value chain, enabling our clients to build climate resilience and grow and contribute to a low carbon economy. We aim to substantially grow our lending exposure to the agriculture sector, while reducing our financed emissions, by supporting the implementation of sustainable, climate-smart agricultural practices across our client base.

a) We are working with our clients to help them reduce their carbon emissions and improve their resilience to climate change risk, by adopting sustainable practices that conserve land, water, and biological resources, do not degrade the environment and are technologically appropriate, economically viable and socially acceptable.

b) Our approach to climate smart agriculture includes:
   - Enabling sustainable practices in the agriculture value chain
   - Supporting farmers to earn carbon credits for regenerative agriculture practices
   - Mobilising sustainable finance solutions that accelerate growth and resilience in the sector
   - Developing governance frameworks to manage, monitor, and mitigate risks

- Establishing relevant partnerships to enable our ability to drive climate smart agriculture objectives

c) Enhancing and entrenching capabilities for thought leadership in climate smart agriculture.

d) SBG will not finance:

  - Deforestation of natural forests and indigenous trees (excluding de-bushing in farming blocks where grazing and cropping will have a positive impact)
  - Production or trade in wood and other non-indigenous forestry products other than from sustainably managed forests
  - Unsustainable fishing methods.

2.6 Residential real estate, personal lending and retail products

SBG will work with our clients to support emissions reduction and strengthen resilience to physical climate risk. By providing innovative financial solutions we will partner our clients on their sustainability journey. We will continue to grow our home loans portfolio, across our markets. We will achieve this by:

a) Being a leading provider of green-aligned lending[6]

b) Providing physical solutions and financing to support clients to retrofit their homes to improve energy efficiency (includes site visits by energy advisors, correct sizing of solar and battery equipment for maximum savings and efficiency, installations and after-sales service)

c) Providing finance for rooftop solar and other efficiency technology for homes

d) Exploring opportunities to strengthen resilience to physical climate risk.

e) Mitigating risks aligned with municipal by-laws and regulations, including ensuring that:

  - Lending is not approved for properties located within flood lines
  - In South Africa, construction must adhere to the National Building Regulations, and builders must be registered with the NHBRC (National Home Builders Registration Council)
  - New homes must be enrolled with the NHBRC.

Our targets for the mobilisation of finance to support rooftop solar, energy efficiency and green building certifications will contribute to our overall sustainable finance mobilisation target.

6 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

2.7 Commercial real estate

SBG will work with our clients to support emissions reduction and strengthen resilience to physical climate risk. This includes supporting clients in reducing reliance on the national grid, which remains heavily dependent on coal. We will achieve this by:

a) Providing green financing and sustainability-linked instruments to support clients to improve energy efficiency, water efficiency, and waste management
b) Providing finance for renewable energy solutions, with a focus on solar PV
c) Providing finance for refurbishments, retrofitting and repurposing to reduce emissions and improve climate resilience.

Our targets for the mobilisation of finance to support construction and retrofitting of green buildings, as well as sustainability linked instruments, contribute to our overall sustainable finance mobilisation target.

2.8 Insurance

SBG's 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).

a) We aim to remain the leading homeowners' insurance cover provider in South Africa. We continue to explore and develop opportunities for energy efficient insurance solutions (including smart geysers and GHG emission assessments), while simultaneously monitoring the frequency and severity of climate-related events.
b) We provide commercially viable insurance solutions that support the transition of our existing residential real estate portfolio towards the use of renewable energy.
c) We continue to expand our climate-related insurance offerings in partnership with underwriting management agencies and insurers and leveraging the internal brokerage business.
d) Our short-term insurance business has no exposure to carbon-intensive activities, which fall outside underwriter risk appetite. Risk is serviced through the brokerage platform for specialist cover.
e) We have geo-coded our home-owners insurance portfolio and are using this information to review exposure limits.

SBG's long-term insurance business provides life, disability and health insurance. We continue to monitor developments in the life and disability insurance subsector. We participate in the Actuarial Society of South Africa's Climate Change Committee and the climate change impacts on mortality and morbidity working party.

2.9 Investment and asset management

SBG's assets under management comprise assets where we are the asset owner, and assets where we are the asset manager or agent.

Where we are the asset owner, we dictate the investment mandate including decisions on investing or extending credit based on set emissions criteria. These assets primarily reside within the Libfin credit portfolio.

a) We aim to reduce carbon intensity within the portfolio and mobilise sustainable finance to support the decarbonisation strategies of our borrowers, particularly in carbon intensive sectors.
b) We will limit further funding to high-risk sectors on an absolute basis. We will not provide new financing to clients in the following sectors unless specific conditions are met:
    - Thermal coal power: No new finance
    - Mining: No new financing to thermal coal mining where it comprises most of the revenue mix and included as any part of the value chain
    - Oil and gas: No new finance unless it is intended for green projects or there is a clear energy transition pathway to cleaner fuels or credible sustainability plan
    - Agriculture: We only consider counterparties that practice sustainable farming methods
    - Cement: No new finance, except in cases of ring-fenced finance to green or decarbonisation projects linked to cement sector companies e.g. captive power generation where power source is renewable, or green hydrogen projects
    - Power: Finance to be assessed in the context of South Africa's Just Energy Transition Strategy. New investments in power related projects other than green energy will be assessed in conjunction with government policies on climate adaptation and mitigation measures and NDCs.
c) We are committed to the establishment of funds and products to contribute to the just energy transition, and to setting sector-based commitments to mobilise sustainable funding
d) We are committed to developing an emissions baseline as the first step toward setting targets for financed emissions reduction.

e) Where we are the asset manager, we take direction from the client (the asset owner) via their investment mandate, which may or may not have emissions criteria/restrictions. These businesses include STANLIB, Liberty Investments and Africa Regions Asset Management. For these assets, we take direction from the client.

f) Unless mandated otherwise by the client, our approach to responsible investing is active engagement, as opposed to disinvestment, with the underlying investee companies.

2.10 Own emissions

a) Emissions reduction and operational decarbonisation: SBG's commitments to reducing GHG emissions from our direct operational footprint include:

- Targets for the annual reduction of absolute Scope 1 and 2 GHG emissions across all operations, including Standard Bank operations in South Africa, Liberty Holdings, Africa Regions, and Offshore and International
- Increasing the use of renewable energy through on-site and off-site solutions, across all operations.

b) Energy efficiency and renewable energy first approach: SBG prioritises a hierarchical approach to emissions reduction, ensuring that direct emissions reductions take precedence before any compensatory mechanisms are considered. Our strategy includes:

- Optimising energy efficiency through sustainable building design, retrofits, and the deployment of energy efficient technologies, measured against industry-defined benchmarks
- Expanding investment in on-site renewable energy generation to increase the proportion of clean energy in our consumption mix
- Reducing reliance on non-renewable energy by integrating low-carbon technologies into our operations
- Adoption of off-site renewable or low carbon energy procurement.

c) Responsible use of carbon offsets and Renewable Energy Certificates (RECs): While our primary focus is direct emissions reduction, we acknowledge that some residual emissions may remain.

In such cases:

- RECs will be used to compensate for electricity-related emissions where direct procurement of renewable energy is not viable, ensuring alignment with Scope 2 market-based reporting standards.

- Carbon credits will only be used as a last resort to address residual emissions, once all reasonable efforts to reduce emissions at source have been exhausted or to reduce our carbon tax liability within the boundaries of carbon tax allowance threshold in the national carbon tax regulations.
- Any carbon credits procured will be high-quality and verified by reputable standards ensuring additionality and permanence.
- SBG will publicly disclose carbon credit purchases and the outcomes of the projects from which they derive.

d) Waste management and upstream emissions: We actively manage our environmental footprint through:

- Waste reduction strategies, to minimise landfill contributions and promote circular economy practices
- Measures to reduce the environmental impact of employee travel, including sustainable mobility options and digital collaboration tools
- Tenant engagement initiatives, ensuring that buildings under our management provide access to energy-efficient solutions and infrastructure that enable emissions reduction.

e) Adaptation and water management: SBG recognises that climate change poses physical and operational risks to its facilities. As part of our climate adaptation strategy, we:

- Conduct climate risk assessments to understand the exposure of our operations to extreme weather, rising temperatures, and water scarcity.
- Implement climate resilience measures, including flood protection, heat adaptation, and improved infrastructure design.
- Optimise water efficiency by reducing consumption, reusing water where feasible, and exploring alternative water source.

f) GHG Accounting and disclosure: To ensure accountability, we:

- Align our emissions measurement and reporting with internationally recognised GHG accounting standards
- Disclose Scope 2 market-based emissions, reflecting the emissions intensity of procured electricity and our renewable energy investments
- Implement third-party verification of emissions data where applicable, reinforcing transparency and credibility in our climate disclosure reporting.

3 Managing climate risk

SBG defines climate-related risk as exposure to the physical and transition risks associated with climate change, in respect of our own activities and operations, and through the transmission of climate risk into credit, market, reputational and other risk exposures from lending to, investing in and otherwise transacting with our clients and counterparties. Our risk assessments are informed by internal and external expert knowledge on the inherent risks in relevant sectors and industries, assessment of potential future transition pathways informed by climate scenarios and relevant decarbonisation pathways, and the potential impact of acute and chronic physical risk events on the performance of our counterparties and countries of operation.

We are signatories to the Equator Principles and apply IFC performance standards to ensure our management of ESG related risks including climate risks are aligned to international best practice standards.

We require business units and legal entities to consider material climate risk and opportunity as guided by our ESMS and governance frameworks. This includes:

- Developing new products and services
- When completing the E&S risk screening tool and determining the client risk assessment and transaction risk assessment results, at origination and during credit review processes and annual client and portfolio reviews. When considering a new transaction or client relationship, business units and legal entities must consider:
    - Exposure of SBG counterparties, and assets and operations underlying a transaction, to climate-related physical risks and transition risks.
    - Risks related to climate change for specific transactions/projects related to the project's sector activities and location.
    - Alignment with the commitments set out in this climate policy and international best practice
    - Impact on SBG's ability to meet our climate-related targets.
- Managing own operations.

4 Governance

Our governance structures, at board and management level, ensure effective oversight of our climate policy and commitments. Our enterprise-wide risk management framework defines the structures and accountability for the oversight, governance and execution of climate risk management.

SBG board

SBG's board is responsible for guiding the Group's strategy and overseeing our progress against our strategic priorities and related value drivers, including delivery of positive impact. The board is also responsible for assessing the effectiveness of our risk management processes, including climate risk management.

Responsibilities are delegated to several board subcommittees. Board committees meet quarterly and provide feedback to the full board. All committees are chaired by independent non-executive directors.

- The Group social, ethics and sustainability sub-committee approves climate commitments and targets per sector, and monitors progress against the Group climate policy, commitments and targets.
- Management of climate-related risk and opportunity is a standing agenda item for the board's risk and capital management subcommittee.

SBG executive management

The Group Leadership Council (GLC) approves Group policies and standards, including the climate policy and monitors adherence to commitments and progress against targets. The GLC ensures appropriate governance structures, policies and processes are in place to identify and resolve climate-related risks and maximise positive impact in relation to climate mitigation and adaptation. The GLC drives business alignment with the policy and ensures business ownership and accountability.

Business units and legal entities

Business units and legal entities are required to incorporate the Group's climate commitments and targets into their strategies and report to existing BU governance committees on progress. These committees are responsible for recommending climate targets and commitments to group-wide governance committees for approval.

Scope of this policy

This policy applies to all client segments and legal entities within SBG. It provides minimum standards to be adhered to when considering the financing of priority sectors as defined by the policy. Business units and legal entities must ensure that their lending and investment decisions align with the policy and support the achievement of the Group's climate commitments.

5 Monitoring, review and reporting

Progress against our climate targets and commitments is regularly monitored and disclosed publicly in the Group's annual reporting suite. Climate targets and commitments are reviewed, at a minimum, on a three-year cycle from the date of adoption. The Climate Policy is reviewed and revised where necessary every three years at a minimum.

Transactions designated as high-risk must be referred to the appropriate committees for enhanced due diligence and transaction screening in compliance with SBG's procedures. Post-finance monitoring will be required on an ongoing basis. Reporting on financing activities will be in accordance with regular internal requirements and external regulatory reporting as and when applicable.

6 Related information

This policy should be interpreted and applied in conjunction with all other SBG, and applicable legal entity, standards, policies, procedures, and guidelines including:

a) SBG Environmental and Social Risk Governance Standard and Policy and supporting policies
b) SBG Third-party Code of Conduct
c) SBG Human Rights Policy Statement
d) SBG Credit Risk Standard and Policy
e) SBG Reputation Risk Governance Standard
f) SBG Risk Appetite Statement
g) SBG Code of Ethics and Conduct
h) SBG Exceptions List
i) SBG Stress Testing Framework
j) SBG Sustainable Finance Frameworks