



THE NEDBANK CLIMATE CHANGE POSITION

Ref: Brigitte Burnett, April 2021

Framing

- Climate change is one of the defining systemic issues of the 21st century, alongside poverty and inequality, which are themselves exacerbated by climate change.
- Increasing concentrations of greenhouse gases (GHGs) in the atmosphere from human activities (eg energy generation, industry, transport, agriculture) are producing a significant warming effect that may trigger irreversible changes to the climate system of the earth.
- Without urgent, unprecedented action and cooperation from all stakeholders, future prospects for economic development, political stability and societal wellbeing are expected to deteriorate.
- Failure to address climate change will commit the African continent to a much more challenging and less prosperous future, since Africa is both highly exposed to the physical impacts and often lacks capacity to respond to those impacts.

Objectives and principles

- The Nedbank climate change position rests on the objectives and principles of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, further informed by the scientific reports of the Intergovernmental Panel on Climate Change (IPCC).
- Preventing dangerous anthropogenic interference with the climate system means 'holding the increase in the global average temperature to well below 2°C above preindustrial levels and to pursue efforts to limit the temperature increase to 1,5°C'.¹

- This will require 'global peaking of greenhouse gas emissions as soon as possible', followed by 'rapid emissions reductions', to achieve 'a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century',² a condition commonly known as net zero.
- The principles of the Paris Agreement include that actions must be guided by the best available science; allow for common but differentiated responsibilities, taking into consideration national circumstances and capabilities; and ensure a just transition.
- These principles require flexibility of approach across the many national jurisdictions in which Nedbank operates.
- Since the Paris Agreement underscores 'the imperatives of a just transition of the workforce and the creation of decent work and quality jobs',³ the just transition is not a trade-off versus climate action; its achievement is inextricably linked to avoiding dangerous climate change.

Science

- Arresting the global temperature rise requires stabilisation of the atmospheric CO₂ concentration, which is achieved when emissions from sources and removals by sinks balance to zero. Until net zero is achieved globally, climate change will continue to worsen.
- Since much of the CO₂ emitted remains in the atmosphere for centuries, a given temperature increase is closely related to cumulative emissions. This establishes a finite and diminishing global carbon budget for CO₂ emissions from human activity.

¹ Paris Agreement, Article 2, paragraph 1(a).

² Paris Agreement, Article 4, paragraph 1.

³ Paris Agreement, preamble.



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- For a given temperature threshold and a given probability of success, the carbon budget describes the maximum operating space within which global, national and organisational climate strategies must mediate socioeconomic development objectives.
- Delays in CO₂ emissions peaking imply steeper and deeper subsequent reductions to compensate for the higher interim emissions.

Ambition

- Nedbank aims to be at the forefront of managing climate change risks and financing innovative solutions in ways that are sensitive and flexible to the specific contexts and markets in which it operates, guided by the overarching ambition of achieving net zero by 2050.
- All nations within which Nedbank conducts business are signatories to the Paris Agreement, which is predicated on progressively ambitious action in the form of voluntary nationally determined contributions (NDCs).
- Although most of the NDCs are currently deemed insufficient, parties to the agreement are expected to ratchet ambition upwards successively. Progress in understanding the science of climate change and relevant technological innovations will inform this ratcheting process.
- Nedbank will emulate the spirit of the NDC review process, by successively strengthening all relevant sector policies, guidelines, mandates, incentives, etc, to remain in line with advancing scientific understanding, technological progress and local market conditions.

Approach

- Nedbank will use the carbon budget construct to develop science-based targets and glidepaths that will inform relevant sectoral policies, thereby allowing the bank to help clients across all sectors – and society more broadly – to realise a net-zero economy by 2050.
- Since most physical capital (eg power plants, industrial facilities, buildings, transportation infrastructure) implicated in GHG emissions is long-lived, the timing of the shift in investments and strategies will be crucial to avoiding a disorderly transition.
- For the energy sector specifically, the objectives of the Paris Agreement imply immediate, rapid and profound change: The sector should be decarbonised fully by 2050, which allows additional space and time for sectors and activities with limited abatement options (eg steel, cement, aviation).
- The Sustainable Development Framework of the bank, founded on the UN Sustainable Development Goals (SDGs), will continue to inform its understanding of how to close financing gaps and capture new business opportunities linked to creating the next economy.
- These opportunities include the provision of clean, affordable, safe and efficient energy services, as well as clean water and sanitation, nature-based solutions, sustainable cities, climate-resilient infrastructure and digital technologies, with both the positive and negative impacts of these activities being considered.



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Transparency and accountability

- Nedbank is committed to transparent disclosure of progress against climate-relevant performance targets and indicators through appropriate channels, aligned with evolving global best practice.
- Accordingly, Nedbank endorses the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) encompassing governance, strategy, risk management, metrics and targets, and will report progress annually.
- Disclosures will include both positive and negative impacts of the business, to allow for monitoring and assessment of progress towards increasing positive impacts and reducing negative impacts, in absolute terms.
- Future enhancements to the Nedbank remuneration policy will provide additional incentives to align leadership behaviours with the spirit of this climate change position.