

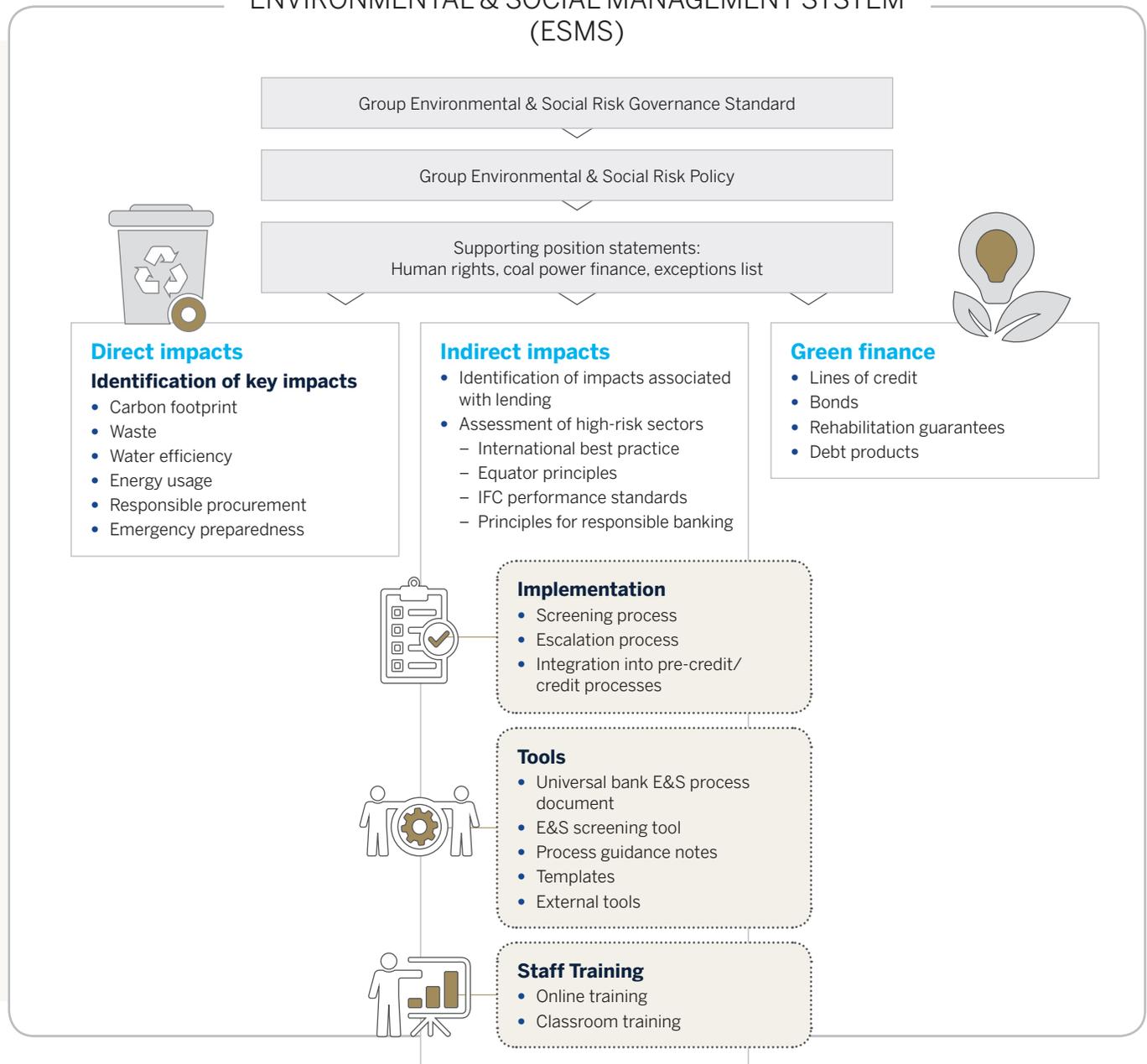


Environmental and social management system

We have a comprehensive framework to help identify and manage E&S risk. The group Environmental & Social Risk and Finance (GESRF) team is responsible for ensuring that all environmental, social and related risks are correctly identified, evaluated and managed, and for ensuring that green, social and carbon financing opportunities are identified and acted upon.

Our E&S risk assessment processes are based on international best practice and are proactively embedded into lending practices at an early stage. This enhances E&S consideration and accountability in investment decision-making and monitoring, assists clients in managing their material E&S impacts and risks and, in so doing, improves their performance and guards against unforeseen risk. Our assessment processes have been broadened and are being systematically expanded across all business units within the group (CIB, PBB, Wealth). Our new, broader ESMS integrates E&S screening, management and monitoring into business and credit functions globally, enabling us to assess, mitigate, document and monitor impacts and risks associated with financing and investments. The expansion and integration of these management measures ensure E&S issues and opportunities are truly embedded in our overall performance. New environmental/green/climate and social opportunities are being explored in appropriate sectors and with similar-minded clients.

ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM (ESMS)





E&S risk management

Our E&S risk management process aims to ensure E&S consideration and accountability in investment decision-making, monitoring and banking activities.

ESG | Read more on E&S governance on page 43.

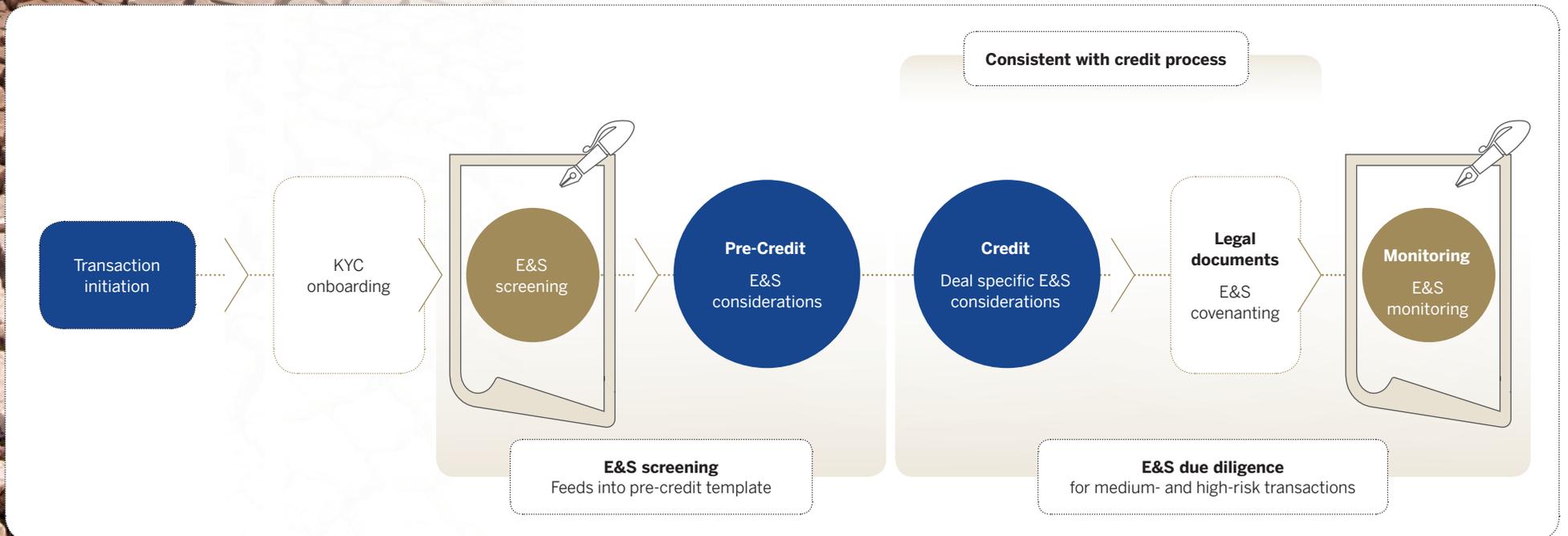
Standard Bank encourages clients to meet relevant internationally accepted E&S standards and to develop action plans to close any gaps between these and their current E&S performance. We work with our clients to assist them to manage their material E&S risks and impacts.



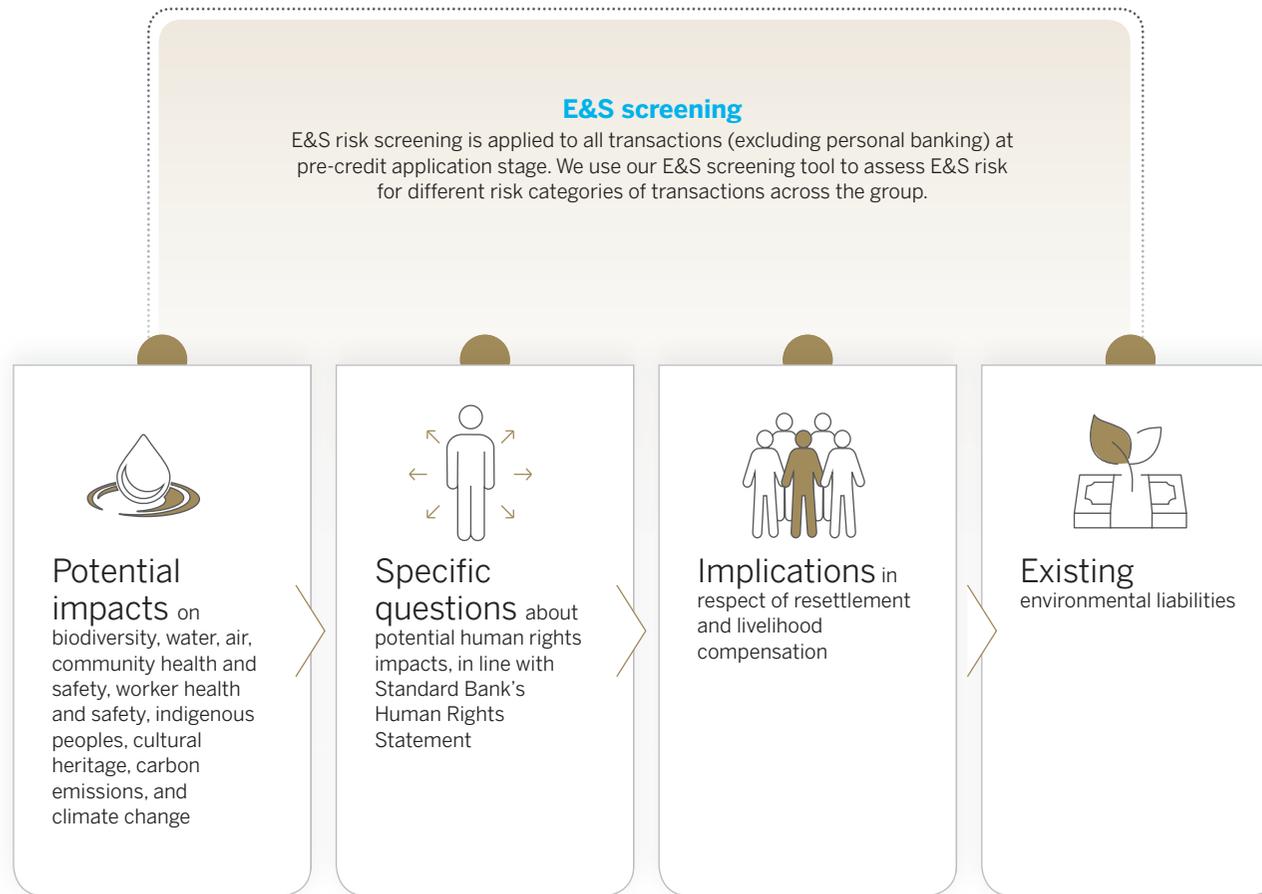
Our exceptions list has several general and regional exclusions with respect to the type of activities for which we will not provide banking or lending facilities. It is reviewed at least annually. It consists of two lists:

Exclusions list: Activities prohibited for financing in all Standard Bank/Stanbic Group operations

Restrictions list: Activities for which we have regional or sector-specific restrictions, based on policies and practices applicable at group and regional level.



E&S Risk management is undertaken throughout the transaction life cycle from pre-credit to post financial close.



We apply national laws and standards and our exceptions list when assessing all transactions. In addition, and where applicable, we apply the International Finance Corporation (IFC) Performance Standards and the Equator Principles (an international benchmark for identifying and managing E&S risk).

Screening of new transactions

Pre-credit committees are responsible for ensuring that E&S risks are identified at application phase. Screening provides an indication of whether to proceed with a transaction, and whether further assessment is required.

Screening provides for three levels of assessment for new transactions. These are applied according to the type of financial product, the quantum and tenor of the transaction and the sector. We assess the E&S risk involved in the activities related to:



The transaction: consideration of the nature of the transaction or project's E&S impacts, and the sector; and



The client: consideration of the client's ability to manage E&S risk and their historical track record.

Risks are rated low, medium or high. All project-related transactions and medium- and high-risk outcomes are escalated to the group environmental & social risk finance (GESRF) team, which works with the business and credit teams to examine and mitigate such risks. Where appropriate, we undertake an enhanced due diligence and ongoing monitoring to ensure risks are properly managed. Decisions on transactions rated as high E&S risk require sign-off from the head of GESRF.

Screening of existing exposures

Our E&S screening tool is also applied by our credit managers in their regular reviews of existing transactions and clients. This enables any E&S risks that emerge after financial close to be flagged and assessed. Transactions or clients identified as high E&S risk are reviewed annually, in addition to the client having a negative change in their annual E&S rating. Where required, GESRF team members engage with clients to gain a better understanding of issues. Where appropriate, we may require implementation of mitigating actions, or additional reporting requirements.



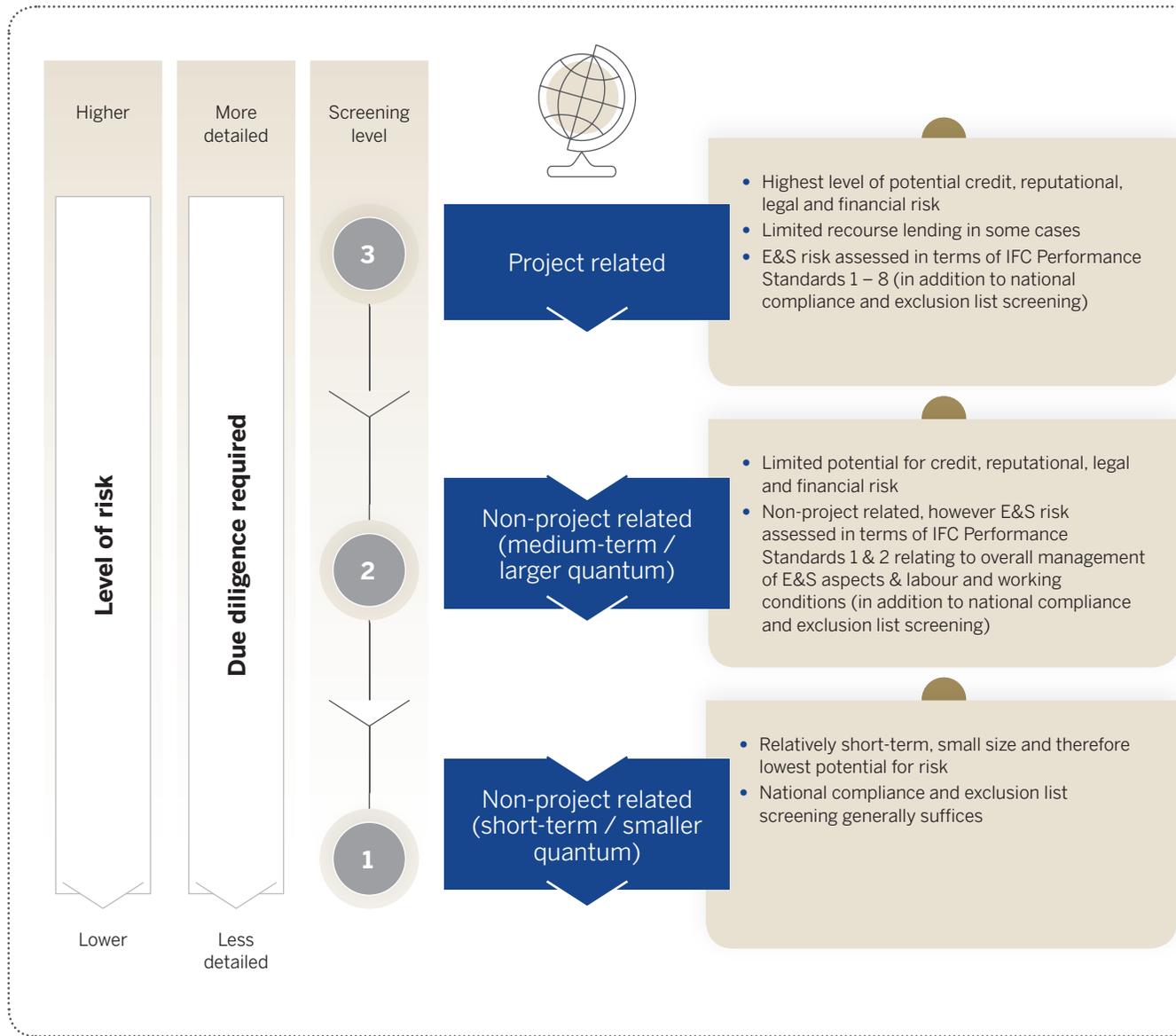
E&S due diligence

Different financial products carry different levels of environmental and social risk. The depth of environmental and social due diligence is based on the level of risk, with enhanced due diligence for transactions that represent significant risk to the bank, society and environment.

The scale and scope of due diligence is determined per transaction, as advised by the GESRF team. **Our E&S assessment process aims to ensure that the level of due diligence is commensurate with the potential level of E&S risk associated with a transaction.** Due diligence may include sector or issue specific questions, direct client engagement and site visits. GESRF is responsible for determining whether a full due diligence process using independent external consultants is required.

Due diligence highlights issues requiring mitigation or management, and actions required to ensure transactions comply with relevant international and national standards and legislation, including IFC performance standards where applicable. **We maintain a database of all project-related transactions and high-risk transactions, and monitor these from pre-credit to financial close, and during the monitoring period post financial close.**

In some cases, trade-offs may be required. For example, solar energy production requires large tracts of land, with associated environmental impacts. Careful analysis of the relative benefits, risks and costs is necessary to find the 'greater good', together with exploring the optimal mitigation of any necessary trade-offs, e.g. utilising already degraded land for solar projects. These decisions are always made on the strict provision that any such trade-offs never compromise the bank's commitment to upholding human rights and must always adhere to all applicable laws and regulations.





E&S monitoring

E&S risk management includes monitoring of relevant transactions to ensure E&S commitments are met. Frequency and type of monitoring is determined according to the type of transaction being financed and the level of E&S risk.

High-risk transactions, and transactions categorised as Category A and where appropriate as Category B under the Equator Principles, are monitored on an ongoing basis.

Where necessary, GESRF undertakes site visits to ensure that E&S performance is being managed appropriately. In relevant cases we use independent external professionals to monitor implementation and progress. **The GESRF team conducts portfolio-wide reviews of specific sectors where E&S risks are considered high.**

In cases where clients are not compliant with E&S requirements, we work with them to achieve the necessary standards. If there is no progress toward meeting requirements within agreed timeframes, remedies may include:

- 1 Additional monitoring and revised, more stringent action plans
- 2 Specialist/independent intervention
- 3 Re-evaluation of the loan



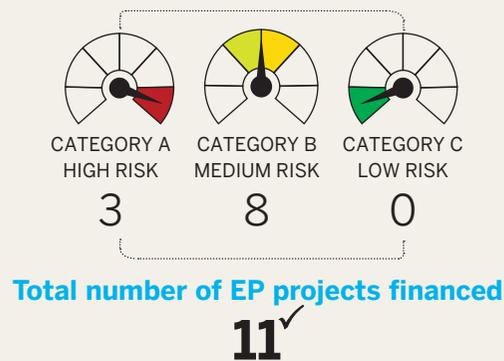
Our application of the Equator Principles framework

The Equator Principles (EP) is a global risk management framework for determining, assessing and managing environmental and social risk in project related transactions. Standard Bank currently chairs the committee of the Equator Principles Association. EP financing institutions categorise projects proposed for financing based on the magnitude of potential environmental and social risks and impacts (Category A, B or C). The GESRF team provides the categorisation for EP transactions and is involved in the ongoing due diligence to be conducted for all category A and B projects. GESRF applies the EP and associated IFC Performance Standards on Environmental and Social Sustainability (Performance Standards) and the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) to all relevant project-related financing.

In 2018, no active EP deals were terminated due to E&S non-compliance. In one case, we are exploring remedies linked to E&S compliance timelines to promote E&S compliance.

TRANSACTIONS SCREENED AGAINST THE EQUATOR PRINCIPLES

Total number of Equator Principle projects that reached financial close within 2018



CASE STUDY: Environmental due diligence on Alten Hardap

In Namibia, Standard Bank partnered with Proparco, a French development finance institution, to develop the funding structure for the 37 MW Mariental solar PV plant. Stanbic Namibia was co-mandated lead arranger and under-writer with Proparco. The plant is the first large-scale independent power producer project in Namibia, and one of the largest PV plants in Africa outside South Africa. It will increase Namibia's generation capacity by 5%, generating 120 000 MW hours per year for over 25 years.

Standard Bank undertook an E&S risk due diligence on Alten Solar Power (Hardap) Proprietary Ltd, the consortium selected to construct the plant, prior to the pre-credit application. We reviewed the project's environmental and social impact assessment and commissioned an independent environmental audit against IFC performance standards. On the basis of gaps identified in the audit, Alten developed a comprehensive Environmental and Social Management System (ESMS) for the project. This included specific commitments applicable to pre-construction, and during construction and operation. Quarterly independent E&S audits were carried out during construction to ensure compliance with the IFC performance standards, ESMS and specific commitments of the financing. The main concerns related to the construction phase included labour recruitment and accommodation. Audit findings were addressed with corrective action plans, which were followed up to ensure implementation. An independent audit will be undertaken during the first year of operation to further ensure E&S compliance. Ongoing monitoring and annual reporting will continue for the tenor of the transaction.



Read more in Reporting to Society on page 49.



Codes, standards and guidelines

The following codes, standards and guidelines underpin the group's approach to sustainable governance. Liberty has its own environmental and social risk management frameworks.

Banking Association of South Africa

As a member of the Banking Association of South Africa (BASA), we have adopted a Code of Conduct for Managing Environmental and Social Risk which codifies the role of financial institutions in protecting, promoting and fulfilling social, economic and environmental rights in South Africa. The code covers our operations, procurement, lending practices, products and services and sets a benchmark for effective management of these risks.

United Nations Environmental Programme Finance Initiative

As a member of the United Nations Environmental Programme Finance Initiative (UNEP FI) we are committed to raising awareness and understanding about how the financial sector impacts society, and how a shift in priorities and ways of working is crucial for the sector to remain relevant and legitimate in the future. Standard Bank is the Deputy Chair of the UNEP FI Banking Committee, and one of the 28 founding member banks of the Principles for Responsible banking.

International Finance Corporation

We are updating and aligning our systems and processes to be consistent with relevant International Finance Corporation (IFC) Performance Standards.

Equator Principles

We are signatories of the Equator Principles (EP), a global standard for screening social and environmental risk. The EP provides a minimum standard for due diligence and monitoring to support responsible risk decision-making. This requires us to

ensure that, when we lend or provide advisory services to clients, actions are taken to evaluate and actively avoid and mitigate any negative social or environmental impacts. Standard Bank is the longest serving Chair of the Equator Principles Association and the first African bank to be elected to this position. Currently 92 Equator Principles Financial Institutions (EPFIs) in 37 countries have adopted the EPs.

External Assurance

We undertake independent external assurance of our approach and outcomes for our projects financed (both advisory and project related lending).

United Nations Universal Declaration of Human Rights

Human rights are the basic and universal rights that underpin each person's inherent freedom, dignity, and equality as outlined in the United Nations Universal Declaration of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. We have used these universal benchmarks as our starting point for defining human rights and have based our human rights statement on the UN Universal Declaration of Human Rights.

Financial Sector Code

Standard Bank was recently certified as a Level 1 BEE Company, under the newly revised Financial Sector Code. Standard bank realises the need for transformation and continual development of a company culture that accommodates diversity and inclusion. This includes transparent engagement within the Group, from Board members to general staff, on issues that impact on our ability to accelerate transformation; Ensuring that our core business makes a substantial contribution to enabling economic activity and driving economic transformation; and Partnering with third parties to develop black-owned businesses as suppliers to Standard Bank.

E&S internal training and awareness

Staff training focuses on general environmental and social risk awareness, Standard Bank's environmental and social risk management process, and relevant environmental guidelines, standards and requirements. In 2018, we provided classroom training on the E&S screening process for investment banking, commercial banking, property finance, credit and legal teams. Selected teams in corporate, business, commercial, and investment banking will be required to undertake online E&S courses during 2019, on our internal e-learning portal. Bespoke classroom or one-on-one training is provided to select teams or individuals, such as legal teams, group executives, sector-based teams and in-country or regional E&S coordinators.

ENVIRONMENTAL AND SOCIAL RISK TRAINING

