Standard Bank
Coal-Fired Power Finance Policy

1. Introduction

Greenhouse gas emissions from energy production have continued to increase in recent years, with coal considered to be one of the largest contributors to emissions. At the end of 2015 a global agreement to reduce emissions and combat climate change was concluded by 195 nations at the Conference of Parties in Paris ("Paris Agreement") with the signatories including all 20 African countries[i] in which the bank currently has a presence.

The Paris Agreement includes support for:

- A long-term goal of keeping the increase in global average temperature to well below 2 °C above pre-industrial levels
- Efforts to limit the global average temperature increase to 1.5 °C, since this would significantly reduce risks and the impacts of climate change
- Global emissions reaching a peak as soon as possible while recognizing that this will take longer for developing countries, with rapid reductions thereafter in accordance with the best available science
- Increasing global ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production
- Making global finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development

Energy is a key driver of economic growth in emerging markets, particularly in Africa where access to affordable and reliable energy is crucial. Coal-fired power has historically been an important source of energy supply in several countries in Africa including South Africa, and the Paris Agreement recognizes that emission reduction will take longer for developing countries. There is therefore a clear requirement for the bank in its financing of power projects, to balance the need for broad access to electricity, with the choice of technology used to mitigate the risks of climate change as embodied in the Paris Agreement.

Standard Bank has chosen to take a proactive approach in line with the Group purpose of driving Africa's growth, by adopting a specific Coal-Fired Power Finance Policy. The policy adopted by Standard Bank is aligned with the principles and standards for coal-fired power finance contained in the latest OECD Annex VI sector understanding on export credits for coal-fired electricity generation projects dated January 2019 ("OECD Standards").

2. Minimum Eligibility Requirements for Coal-Fired Power Finance

The Coal-Fired Power Finance Policy applies across the consolidated banking operations of the Group, excluding Liberty. Consistent with the OECD Standards, the policy applies to direct finance of new coal-fired electricity generation plants without operational carbon capture and storage or carbon capture and utilisation technology. To be eligible for direct finance, coal-fired power plants must meet maximum emission and plant size parameters that are linked to the level of development of the country in question.

These parameters are summarised in the table below.

EMISSIONS / INSTALLED CAPACITY	> 500 MW	≥ 300 to 500 MW	< 300 MW
Ultra-supercritical (i.e., with a steam pressure >240 bar and ≥593°C steam temperature), or Emissions < 750 g CO_2/kWh	Eligible	Eligible	Eligible
Supercritical (i.e., with a steam pressure >221 bar and >550°C steam temperature), or Emissions between 750 and 850 g CO_2/kWh	Ineligible	Eligible only in IDA countries	Eligible only in IDA countries
Subcritical (i.e., with a steam pressure < 221 bar), or Emissions > 850 g CO_2/kWh	Ineligible	Ineligible	Eligible only in IDA countries

3. Coal-Fired Power Finance Approval and Enhanced Due Diligence

In addition to the minimum eligibility requirements, direct finance of new coal-fired power generation in African economies requires enhanced due diligence including an assessment of:

- Technology choice (consistent with OECD Standards), regulatory drivers and emission performance
- Analysis of technically and financially feasible and cost-effective power generation alternatives that are available in the same industry and country
- Current energy situation in the region and future energy demand in relation to government energy strategy, carbon commitments and adaptation plans
- Compliance with host country environmental and social laws, regulations, and permits
- Compliance with international conventions, standards and treaties regarding greenhouse gas emissions in the host country and region
- IFC Performance Standards & EHS Guidelines (application of Equator Principles)
- IFC Industry Guidelines on thermal power plants, electrical power transmission and distribution

All transactions considered under this Policy are required to be reported to the Head of Group Environmental & Social Risk and Finance for enhanced due diligence. Post-finance monitoring is required on an ongoing basis.

4. Date of Review

The policy is subject to periodic review with the first review scheduled for the fourth-quarter of 2020.

5. Definitions

Conference of Parties (“COP21”)

COP is a supreme decision-making body of the United Nations Framework Convention on Climate Change. COP 21 was the 2015 and 21st yearly session of the Conference of the Parties (COP) to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) and the 11th session of the Meeting of the Parties (CMP) to the 1997 Kyoto Protocol.

ECA

An export credit agency (“ECA”) or investment insurance agency is a private or quasi-governmental institution that acts as an intermediary between national governments and exporters to issue export financing.

ECA Financing

Could take the form of credits (financial support) or credit insurance or guarantees (pure cover) or both.

Greenhouse Gases (“GHG”)

A gas that contributes to the greenhouse effect (and therefore global warming) by absorbing infrared radiation. Carbon dioxide, methane and chlorofluorocarbons are examples of greenhouse gases.

International Development Association (IDA)

Overseen by 173 shareholder nations, IDA aims to reduce poverty by providing loans (called “credits”) and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions. IDA lends money on concessional terms.

International Development Association (IDA) Countries

Eligibility for IDA support depends on a country’s relative poverty, defined as GNI per capita below an established threshold and updated annually ($1,145 in fiscal year 2019). In Africa these include: Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, CAR, Chad, Comoros, DRC, ROC, Cote d’Ivoire, Eritrea, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

OECD

The mission of the Organisation for Economic Co-operation and Development (“OECD”) is to promote policies that will improve the economic and social well-being of the people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems.

OECD Members

36 Member countries span the globe, from North and South America to Europe and Asia-Pacific. They include many of the world's most advanced countries, but also emerging countries like Mexico, Chile and Turkey.

---

[i] Angola*, Botswana, Cote d'Ivoire, Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, South Sudan*, Swaziland, South Africa, Tanzania, Uganda, Zambia, Zimbabwe. *Signed but not ratified.