Second-Party Opinion

Standard Bank Group Sustainable Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Standard Bank Group Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers the eligible criteria, namely (i) renewable energy, (ii) non-energy GHG emission reduction, (iii) climate adaptation, (iv) energy efficiency, (v) green buildings, (vi) clean transportation, (vii) pollution prevention and control, (viii) sustainable management of natural resources, (ix) sustainable water, (x) electricity distribution networks, (xi) affordable housing, (xii) social infrastructure (health & education), (xiii) improved access to funding for SMEs & micro businesses and (xiv) women in the economy to have positive environmental or social impacts and to advance 12 of the UN Sustainable Development Goals.

PROJECT EVALUATION / SELECTION SBG's internal process in evaluating and selecting projects is undertaken by the Sustainable Finance Business Unit. Potential projects and/or assets are submitted to the Asset and Liability Committee ("ALCO") which is responsible for final approval and ensuring alignment with the eligibility criteria outlined in the Framework. This process is aligned with market practice.

MANAGEMENT OF PROCEEDS SBG's processes for management of proceeds is primarily overseen by the Sustainable Finance Business Unit. SBG is committed to track the receipt and use of proceeds for its green instruments through its internal reporting systems. SBG may hold and/or invest unallocated proceeds, at its own discretion in its treasury liquidity portfolio, in cash or other short term and liquid instruments. This process is aligned with market practice.

REPORTING SBG intends to report the allocation of proceeds through its annual ESG/Sustainability report, publicly available on its Investor Relations website, on an annual basis, until full allocation of proceeds. SBG is committed to engaging a third-party auditor to review its reporting process, which is considered market best practice. In addition, SBG is committed to reporting on relevant impact metrics. Sustainalytics views SBG's allocation and impact reporting as aligned with market practice.

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Introduction

Standard Bank Group Limited and its subsidiaries (together "SBG", "Standard Bank", the "Bank", or the "Issuer") is the largest financial services group in Africa, with an operational footprint across 20 countries in Sub-Saharan Africa ("SSA"). SBG is currently the biggest lender by assets in Africa. Standard Bank Group Limited is the Group's listed holding company and holds the entire issued share capital of the Group's primary banking entity, The Standard Bank of South Africa Limited ("SBSA"), as well as other banking and financial services entities.

SBG has developed the Standard Bank Group Sustainable Bond Framework (the "Framework") under which it intends to issue multiple sustainability bonds. Proceeds will be used to finance and refinance new and existing loans that contribute to a broad range of green and social projects ranging from renewable energy, climate adaption, and green buildings to affordable housing, social infrastructure and several other categories listed below. The Framework defines eligibility criteria in the following areas:

1. Renewable Energy
2. Non-Energy GHG Emission Reduction
3. Climate Adaptation
4. Energy Efficiency
5. Green Buildings
6. Clean Transportation
7. Pollution Prevention and Control
8. Sustainable Management of Natural Resources
9. Sustainable Water
10. Electricity Distribution Networks
11. Affordable Housing
12. Social Infrastructure (Health & Education)
13. Improved Access to Funding for SMEs & Micro Businesses
14. Women in the Economy

SBG engaged Sustainalytics to review the Standard Bank Group Sustainable Bond Framework dated February, 2020 to provide a second-party opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018.[1] This Framework will be published in a separate document.[2]

As part of this engagement, Sustainalytics held conversations with various members of SBG's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Standard Bank Group Sustainable Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Standard Bank Group Sustainable Bond Framework and should be read in conjunction with that Framework.

[1] The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/
[2] The Standard Bank Group Sustainable Bond Framework is available on SBG's website at: https://reporting.standardbank.com/debt-investors/debt-securities/debt-securities/

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Standard Bank Group Sustainable Bond Framework

Sustainalytics is of the opinion that the Standard Bank Group Sustainable Bond Framework is credible, impactful, and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2018 (SBP). Sustainalytics highlights the following elements of SBG's Sustainability Bond Framework:

- Use of Proceeds:
  - SBG use of proceeds include (i) renewable energy, (ii) non-energy GHG emission reduction, (iii) climate adaptation, (iv) energy efficiency, (v) green buildings, (vi) clean transportation, (vii) pollution prevention and control, (viii) sustainable management of natural resources, (ix) sustainable water, , (x) electricity distribution networks, (xi) affordable housing, (xii) social infrastructure (health & education), (xiii) improved access to funding for SMEs & micro businesses and (xiv) women in the economy, all of which are aligned with those recognized by the GBP 2018 and SBP 2018.
  - SBG may finance or refinance the construction, generation, transmission or maintenance of renewable power and associated infrastructure, including wind, solar, tidal, hydro power,[3] biomass, biogas[4] and geothermal,[5] as well as the manufacturing or import of components of renewable energy technology including wind turbines, solar panels, inverters and storage batteries. Sustainalytics views financing the expansion of renewable energy generation and infrastructure as contributing to the transition to a low-carbon economy and positively notes the establishment of emissions intensity thresholds.
  - Non-energy GHG emission reduction use of proceeds may be used to finance the replacement of refrigerants with high global warming potential in existing industrial, commercial or residential infrastructure with lower global warming potential solutions e.g. replacement of refrigerants to environmentally friendly propane (R290) and isobutane (R600a). Sustainalytics notes that refrigerant management is crucial in addressing global warming and recommends SBG to promote those systems/units that contain refrigerant(s) with low global warming potential (low-GWP) and zero ozone depleting potential (zero-ODP). Additionally, Sustainalytics recommends the Issuer considers robust measures (or third-party services) for refrigerant leak control, detection and monitoring, as well as ensuring recovery, reclaiming/recycling, or destruction of refrigerants at end of life.
  - SBG may finance or refinance investments in climate change adaptation projects and activities, including the expansion or maintenance of flood defense systems and other climate resilient infrastructure projects.[6] Additionally, SBG may finance or refinance projects or activities that increase the climate resilience of agribusinesses – financing of large-scale business will be dependent on Rainforest Alliance agricultural certification or an equivalent standard. For Sustainalytics assessment of this certification scheme please refer to Appendix -2. Sustainalytics acknowledges that the projects financed under this category may improve the resilience of SSA's infrastructures and agricultural sector to climate change.
  - Regarding energy efficiency, SBG intends to use the proceeds to finance or refinance projects such as relocation of production facilities and/or business premises to a new building which results in a decline in energy consumption of at least 15% and the manufacturing of components or technologies that enable energy efficiency. Sustainalytics recognizes the establishment of a 15% energy savings threshold for energy efficiency improvements[7] and, in the case of new construction, encourages the Bank to ensure that buildings are certified to the green building standard mentioned below. Additionally, Sustainalytics notes that SBG intends to report on the

[3] Eligible small-scale hydro projects will be limited to a 25MW capacity, while large scale hydro projects will have to comply with a life cycle carbon intensity below 100g/CO_2eq/kWh and a power density greater than 5W/m^2.
[4] Biomass and biogas feedstocks come from separated municipal solid waste and other organic waste streams.
[5] Geothermal has an emissions intensity threshold of <100kgCO_2/kWh.
[6] Climate change adaptation investments: Must demonstrate an understanding of the climate risk faced by the asset, system or activity; Must ensure proper risk reduction measures are in place along with flexible management plans that account for uncertainties; Must demonstrate that regular revaluation of resilience benefits will be undertaken, and the results thereof will be addressed; and Must deliver resilience benefits over and above addressing identified risks (only applicable to system-based investments).
[7] Sustainalytics notes that best practice is 30% energy efficiency improvement but is aware of the geographical constraints within the financed regions.

energy efficiency savings gained from the manufacturing of energy efficient technologies, which Sustainalytics encourages.

- Green buildings use of proceeds category may involve construction, retrofit, renovation or operation of buildings to improve resource efficiency and adopt environmentally sound technologies. Green buildings must have one of the following certifications: LEED "Gold" or above, Green Star 4 or above, Energy Water Performance ("EWP") Level 6 or above, or EDGE certified. Sustainalytics positively views the establishment of minimum certification levels for green buildings and views these as robust, credible schemes, however it is noted that EWP is limited in its scope of analysis and only focuses on energy and water performance indicators. For Sustainalytics' assessment of these certification schemes, please refer to Appendix 1.
- Financing or refinancing of clean transportation may include import and manufacture of electric vehicles and related infrastructure as well as projects that directly or indirectly produce electric or hydrogen technologies[8] in existing vehicles, rail or boat fleets. Additionally, financing may include projects related to urban mass transit, non-motorized transport (e.g. pedestrian mobility), and to shift freight and/or passenger transport from road to rail or waterways.[9] Finally, projects may be financed that aim to improve general transport logistics to increase energy efficiency by at least 15% per unit of service (e.g. BTU/passenger-km).[10] Sustainalytics positively acknowledges the emissions thresholds that have been set within this category and encourages SBG to report on specific types of projects that improve general transport logistics and notes their intent to report on related positive environmental outcomes, which Sustainalytics encourages.
- Regarding pollution prevention and control, SBG may use/allocate the proceeds for projects that convert waste-to-energy,[11] capture methane gas, support increased recycling and reduce the amount of waste landfilled. Sustainalytics notes the Bank's commitment to follow the waste hierarchy by aiming to reduce the amount of waste landfilled, increase recycling and ensure separation of recyclable, hazardous and non-combustible materials prior to incineration/methane capture.
- SBG's financing or refinancing of sustainable management of natural resources may include projects that contribute to Climate Smart Agriculture;[12] projects that involve terrestrial and aquatic biodiversity conservation; and projects that involve reforestation, afforestation, rehabilitation of degraded land, preservation or restoration of natural landscape. Sustainalytics notes that Climate Smart Agriculture may increase adaptive capacity of farmers, increase resilience and resource efficiency.[13] Furthermore, financing of conservation and restoration activities may contribute to increased biodiversity and restoration of natural terrestrial and aquatic landscapes.
- Sustainable water and wastewater management will encompass financing or refinancing of infrastructure supporting clean and/or potable water, water efficiency improvements, water recycling, wastewater treatment, sustainable urban drainage systems and desalination. Sustainalytics notes that the Bank has specified that desalination projects must have an environmental risk mitigation strategy which must address the management of brine.[14] Sustainalytics further notes that desalination facilities may primarily be powered by fossil fuels; considering that desalination plants are highly energy-intensive in nature. Nevertheless, Sustainalytics recognizes that where the region of plant operation is highly water stressed or remote; therefore, the projects may create significant social benefit by enhancing the access to clean drinking water.

[8] Hydrogen production technologies limited to the following: renewable liquid forming, electrolysis, high-temperature electrolysis, solar thermochemical water-splitting and biological forms.
[9] Passenger transport assets must comply with an emissions threshold of <50gCO_2/p-km and freight/water related assets must comply with an emissions threshold of <25kgCO_2/tonne.
[10] Under this category, passenger fossil fuel-powered vehicles must comply with an emission threshold of less than 50g/CO_2/km.
[11] Feedstocks must be separated into recyclable and non-combustible and hazardous materials before incineration.
[12] According to the FAO, "climate-smart agriculture aims to tackle three main objectives: sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/or removing greenhouse gas emissions, where possible." Examples of eligible projects/activities includes the following: reduction in crop/food losses by at least 20% e.g. warehousing, cold chain, improved packaging for highly perishable produce; reduction in energy use in traction e.g. efficient tillage, activities which document an increase in productivity of at least 20% without increasing GHG emissions or which reduce post-harvest losses in at least 20%; reduction in water consumption by at least 20% e.g. efficient irrigation laser soil leveling, switching to less-water-intensive crops, water harvest and storage facilities; projects that improve existing carbon pools e.g. rangeland management, collection and use of bagasse, rice husks, or other agricultural waste, reduced tillage techniques that increase carbon contents of soil, rehabilitation of degraded lands, or peatland restoration; reduction of non-carbon dioxide GHG emissions from agricultural practices excluding cattle. FAO, "Climate Smart Agriculture", at: http://www.fao.org/climate-smart-agriculture/en/
[13] Lipper, L. et al. (2014), "Climate-smart agriculture for food security", at: https://www.nature.com/articles/nclimate2437
[14] Desalination plants produce significant amount of brine. Due to the use of pre-treatment and anti-fouling additives within the process, this hypersaline by-product liquid stream also contains heavy metals and chemicals that may accumulate and/or affect the ecosystem.

  - SBG's financing or refinancing of electricity distribution networks may include retro-fitting transmission lines or substations to reduce energy use and/or technical losses by 15% and to avoid electricity cuts; projects that aim to improve existing systems to facilitate the integration of renewable energy sources into the grid; and projects that support off-grid electricity access and displaces fuel consumption e.g. the introduction of solar and other renewable-based technologies. Sustainalytics recognizes the positive social and environmental impacts that can be achieved from these projects, by reducing transmission and distribution losses while increasing access to affordable, reliable technology.
  - Affordable housing activities may include any project that involves the construction or investment of registered, legally recognized affordable or social housing as defined by the jurisdiction within which they operate. Sustainalytics acknowledges the positive social impact of developing affordable housing in SSA and expands on this discussion in Section 3.
  - Social infrastructure for healthcare and education financing broadly includes activities related to improving efficiency and quality of services, providing access to tertiary or vocational training, technological improvements, enhancing the quality of childcare services and general projects that increase access to healthcare services, including telemedicine and mobile clinics. Sustainalytics notes that SBG has indicated that any financing of for-profit institutions, projects or activities will only be eligible if they can demonstrate that a disadvantaged or low-income portion of the population is served by the project. Sustainalytics positively views investments to expand access to affordable, quality education and healthcare services.
  - Improved access to funding for SMEs & micro businesses includes financing or re-financing of any project that aims to increase the access of small-scale industrial and other enterprises, to financial services including affordable credit, payment & saving accounts; and any project that promotes the formalization and growth of micro, small and medium sized enterprises. The Bank has provided credible definitions for eligible micro,[15] small[16] and medium[17] enterprises. Additionally, the Bank excludes financing of any business activities that harm the environment or come in violation with any of the other criteria outlined in the Framework. Sustainalytics acknowledges the positive impacts that can be achieved from increasing assess to financing for SMEs and microbusiness in SSA and notes the Bank's intention to report on positive outcomes, which Sustainalytics encourages.
  - SBG's women in the economy category aims to finance projects to support women's education, integration and empowerment. This category includes projects that targets women and minority groups' inclusion in education systems so as to improve chances of employment, as well as projects that aim to provide women, female owned enterprises and minority groups with access to financial services, including affordable credit, payment and saving accounts; and non-financial services including financial literacy and business skill training. The category also involves the financing of woman-owned enterprises that are eligible according to credible criteria.[18] Sustainalytics notes SBGs intention to report on positive social outcomes achieved from such financing.

- Project Evaluation and Selection:
  - SBG's internal process in evaluating and selecting projects is handled by the Sustainable Finance Business Unit. Any potential projects submitted to the Asset and Liability Committee ("ALCO") will already have been evaluated for compliance through the Bank's Environmental and Social Management System ("ESMS"). In addition, the Bank has set a look-back period of 60 months for refinancing and expects bond proceeds to be fully allocated within two years from the date of each issue.
  - Based on this project evaluation system and the commitment to fully allocate within two years, Sustainalytics considers this process to be aligned with market practice.
- Management of Proceeds:
  - SBG's processes for management of proceeds is managed by Sustainable Finance Business. The Bank is committed to track the receipt and use of proceeds through its internal reporting systems. To ensure appropriate allocation, SBG has established a register that contains all eligible assets. In the event there are any unallocated proceeds, SBG will hold and/or invest them,

[15] Enterprises that have less than 10 employees, assets and annual sales of less than $100 000 each will be considered micro enterprises.
[16] Enterprises that have less than 50 employees, assets and annual sales of less than $3 000 000 each will be considered small enterprises.
[17] Enterprises that have less than 300 employees, assets and annual sales of less than $15 000 000 each will be considered medium enterprises.
[18] To be eligible, enterprises must meet the following criteria: (A) ≥ 51% owned by woman/women; or (B) ≥ 20% owned by woman/women; and (C) (i) has ≥ 1 woman as CEO/COO/President/Vice President (ii) has ≥ 30% of the board of directors composed of women, where a board exists.

at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments. This process is aligned with market practice.

- Reporting:
  - SBG intends to report on the allocation of proceeds through its annual ESG/Sustainability report publicly available on its Investor Relations website. The report will include the total amount of proceeds allocated to eligible loans/assets, the number of eligible loans/assets, the balance of unallocated proceeds, and the amount of financing versus refinancing. SBG is committed to engaging a third-party auditor to review its reporting process, which is considered market best practice. In addition, SBG is committed to reporting on several impact metrics, such as annual generated renewable power (MWh/year), estimated annual CO_2 equivalent emission reduction (tons CO_2eq/year), or annual energy savings (MWh/year)., For a full list of relevant impact indicators view Appendix 3. Sustainalytics views SBG's allocation and impact reporting as aligned with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that SBG's Sustainability Bond Framework aligns to the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. For detailed information please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of Framework to SBG's ESG strategy

Standard Bank Group provides financial instruments to generate positive social and environmental impacts.[19] SBG offers green lines of credit/investments, green, social and climate bonds services, and environmental rehabilitation guarantees. The Bank is "committed to balancing the need to meet Africa's energy and infrastructure demands with the challenges posed by climate change"[19]. As such, SBG's ESG strategy aims to fulfil sub-Saharan Africa's structural development needs while minimizing its social and environmental impacts. In addition, the Bank identified six social, economic and environmental (SEE) impact areas,[20] several of which speak specifically to the use of proceeds categories funded through the Framework. A selection of relevant impact areas and related achievements are as follows:

- SBG identified (i) "financial inclusion" as a key component of its impact-driven strategy. In South Africa, SBG is the largest lender in the affordable housing sector.[21] In compliance with South Africa's Financial Sector Code, the Bank provides affordable housing mortgages to low income people.[22] Since 2008, the Bank has assisted 96,359 customers to purchase a new home. In 2018 alone, SBG granted 4,958 new affordable housing loans. Sustainalytics is of the opinion that projects funded under the affordable housing category can strengthen SBG's position in providing affordable housing solutions to disadvantaged people.
- As part of (ii) "job creation and enterprise development,"[23] SBG is committed to support SMEs across Africa. In 2018, the Bank invested R30M in 12,000 SMEs, facilitating their access to financial services and new markets, and providing business development support. Sustainalytics considers that the proceeds falling under the "improved access to funding for SMEs & micro businesses" category in the Framework are in line with the Bank's ESG strategy.
- Within the (iii) "infrastructure" impact area, SBG has provided financial solutions to renewable energy power plants, generating positive social and environmental externalities. In 2018, the Bank provided project finance solutions to the -33 MW's Wind Farm in Eastern Cape South Africa, which is expected to provide 127 direct full-time equivalent jobs during the construction phase and various opportunities to local SMMEs.

[19] Standard Bank Group, "Environmental, social and Governance Report 2018", (2019), at: https://sustainability.standardbank.com/documents/pdf/ESGReport2018.pdf
[20] The six impacts areas are the following: (i) Financial inclusion, (ii) Job creation and enterprise development, (iii) Infrastructure, (iv) Africa trade and investment, (v) Education and skills development, (vi) Employee development and training. https://sustainability.standardbank.com/
[21] Standard Bank Group, "Reporting To Society 2018 – Enabling home ownership to improve financial inclusion", (2019), at: https://sustainability.standardbank.com/documents/pdf/RTS-23.Enabling-home-ownership-to-improve-financial-inclusion.pdf
[22] People who earn a gross monthly income comprised between R3,500 and R23,300. The average growth monthly income in SA was XX in 2019.
[23] Standard Bank Group, "Reporting To Society 2018 – Job creation and enterprise development", (2019), at: https://sustainability.standardbank.com/documents/pdf/RTS-23.Enabling-home-ownership-to-improve-financial-inclusion.pdf

Sustainalytics is of the opinion that the Framework's eligible projects will further strengthen SBG's ESG strategy, notably the above-described impact areas contributing to its broader objective of responding to sub-Saharan Africa's development needs. Moreover, while Sustainalytics notes the Banks clear commitment to robust, transparent sustainability reporting, the establishment of quantitative, time-bound targets for each SEE impact area is encouraged.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the projects and activities financed from the Framework will generate overall positive environmental and social impacts. However, Sustainalytics acknowledges that potential environmental and social risks must be appropriately mitigated. Some key environmental and social risks associated with the eligible projects can include land-use change, stakeholder engagement, and worker health & safety. SBG is committed to integrating these risks into its lending decision-making, through the following mitigation measures:

- SBG has implemented an Environmental & Social Management System (ESMS), a Framework that aims to assess, mitigate, document and monitor Environmental & Social ("E&S") risks resulting from the projects financed by the Bank. SBG also has a team dedicated to screening for E&S risks, the Group Environmental & Social Risk (GESR) team. The GESR team performs E&S risk screening for all transactions at the pre-credit application stage, which includes identification of potential E&S impacts, the raising of specific questions regarding potential human rights impacts, the consideration of the implications of resettlement and livelihood compensation, and existing environmental liabilities. Moreover, SBG carries out an E&S Due Diligence based on the level of risk attached to each transaction.[24]
- SBG has developed an extensive stakeholder engagement policy in which the Bank recognizes its commitment to its stakeholders and outlines a robust approach to stakeholder engagement. The engagement strategy is governed by the Bank's stakeholder engagement principles, which were approved and established in 2018 by SBG's Social and Ethics Committee. In terms of its fundamental commitments, the Bank is committed to constructive engagements with stakeholders, being accessible, responding appropriately to concerns, maintaining robust transparency and ensuring that the Bank's code of ethics and values are upheld throughout stakeholder engagement processes.[25]
- SBG is committed to providing a healthy and safe working environment for all employees and visitors. The Bank is committed to compliance with all applicable national legislation, regulatory and supervisory requirements. The Bank's internal Occupational Health and Safety policy seeks to achieve high standards. The Bank engages with all relevant stakeholders to ensure regular support and alignment with health and safety practices.[26]
- Finally, the Bank applies national laws and standards, the International Finance Corporation (IFC) Performance Standards and was elected as the first African bank to chair the Equator Principles Association in 2015.[27]

Based on the above, Sustainalytics is of the opinion that Standard Bank is well-positioned to assess and prevent E&S risks associated with projects and activities that will be financed under this Framework, including those related to land-use change, stakeholder engagement, and worker health & safety.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP and SBP. Sustainalytics has focused on four below, where the impact is specifically relevant in local context:

The Importance of Renewable Energy and Technology in Africa

[24] This implies an assessment of E&S risks in terms of IFC Performance Standards 1-8, in addition to national compliance and exclusion list screening. It can also result in limiting recourse lending in some cases.
[25] Standard Bank Group, "Stakeholder engagement", (2018), at: https://sustainability.standardbank.com/documents/pdf/RTS-06.STAKEHOLDER-ENGAGEMENT.pdf
[26] Standard Bank Group, "Growing our people", (2018), at: https://sustainability.standardbank.com/documents/pdf/ESG-18.Growing-our-people.pdf
[27] Equator Principles, "Standard Bank becomes first African bank to chair Equator Principles Association", (2015), at: https://equator-principles.com/ep-association-news/chair-standard-bank/

In 2013, Africa 2030 was established as a part of IRENA's global REmap 2030[28] analysis, which outlines different opportunities for the deployment of renewable energy technologies across Africa and the potential contribution of renewable sources to the continents' power generation. Based on IRENA's analysis, it was estimated that by 2030, renewable energy could provide as much as 22% of Africa's total final energy consumption and up to 50% of its total power generation.[28] Electricity demand in Africa is projected to triple by 2030, and in order to meet that demand, an estimated $70 billion per annum will need to be invested into generation capacity; investments into renewables could account for two-thirds of total investments in generation capacity, creating a significant business opportunity.[28] Wind and hydro power offer the greatest potential in terms of output capacity and overall cost-effectiveness, making them the most attractive solutions available today. However, the potential for solar remains high and, as the cost of the technology decreases, the potential for further expansion and investment into solar will increase.[28]

Beyond power generation, half of all energy use in Africa involves traditional biomass consumption, which not only releases significant amounts of GHGs but also creates health risks due to smoke inhalation. This demonstrates the need for the dissemination of renewable energy technologies for personal use, such as modern cookstoves, solar powered pumps and water heaters and lighting. REmap's analysis projected that, if 170 million more modern cookstoves were adopted between 2013 and 2030, the total demand for firewood would decrease from 14.6 EJ to 9.6 EJ.[28]

Furthermore, access to modern energy sources such as electricity remains low in most rural areas of Africa, and the use of small-scale renewable systems to meet the demand of these areas may not make a significant difference in terms of total energy mix, but could provide significant social and economic opportunities for poverty stricken areas. Access to modern off-grid solutions presents opportunities for increasing the quality and access to healthcare and education, improved agricultural practices and water management as well as telecommunications.[28]

Based on the above, Sustainalytics is of the opinion that SBG's financing of renewable energy for electricity generation, as well as financing of off-grid solutions offers both significant social and environmental benefits. Moreover, through the financing of such projects and activities, SBG will contribute to Africa's transition to a renewable, low-carbon economy.

Fostering Climate Smart Agriculture in Sub-Saharan Africa

Agriculture is the largest contributor to non-CO_2 GHGs emissions, accounting for 56% of emissions in 2005.[29] In 2010, annual non-CO_2 GHG emissions comprised about 10-12% of global anthropogenic emissions. Moreover, agriculture is land-intensive and therefore contributes to tropical deforestation. Tropical forests store and sequester large amounts of atmospheric carbon,[30] highlighting the indirect contribution of agriculture to the release of CO_2 from deforestation. In SSA, agricultural production has grown at the fastest rate globally since 2015, and is expected to expand by 2.6% per year,[31] underlining the importance of fostering Climate Smart Agriculture[32] in the SSA context.[33]

Currently, SSA's afforestation and reforestation rates are low, standing at less than 5% of annual deforestation.[34] Consequently, reforestation, afforestation, rehabilitation of degraded land-related projects and agricultural projects that seek to conserve existing carbon pools could slow down deforestation and/or mitigate CO_2 release into the atmosphere. In addition, several projects funded in the Framework are aligned with the IPCC's supply-side mitigation options for agriculture.[29] Reducing tillage intensity and reducing water consumption by at least 20% can mitigate the agricultural sector's CO_2. In terms of non-CO_2 GHG emissions,

[28] IRENA, "Africa 2030: Roadmap for a renewable energy future", (2013), at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_Africa_2030_REmap_2015_low-res.pdf
[29] IPCC, "Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change – Chapter 11 Agriculture, Forestry and Other Land Use (AFOLU)", Cambridge University Press, (2014), at: https://backend.orbit.dtu.dk/ws/portalfiles/portal/103008543/ipcc_wg3_ar5_chapter11.pdf
[30] Maxwell, S., et al., (2019), "Degradation and forgone removals increase the carbon impact of intact forest loss by 626%", Science Advances, at: https://advances.sciencemag.org/content/5/10/eaax2546
[31] OECD, "OECD-FAO Agricultural Outlook 2016-2025 – Special Focus: Sub-Saharan Africa", (2016), OECD Publishing, at: https://www.oecd-ilibrary.org/agriculture-and-food/oecd-fao-agricultural-outlook-2016_agr_outlook-2016-en
[32] According to the FAO, "climate-smart agriculture aims to tackle three main objectives: sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/or removing greenhouse gas emissions, where possible." FAO, "Climate Smart Agriculture", at: http://www.fao.org/climate-smart-agriculture/en/
[33] Most of the non-CO2 GHG emissions in SSA come from the agricultural sector.
Hickman, J., et al., (2014), "Assessing non-CO2 climate-forcing emissions and mitigation in sub-Saharan Africa", Environmental Sustainability, at: https://www.sciencedirect.com/science/article/abs/pii/S1877343514000438
[34] Bombelli, A., et al., (2009), "An outlook on the Sub-Saharan Africa carbon balance", Biogeosciences, at: https://www.biogeosciences.net/6/2193/2009/bg-6-2193-2009.pdf

improving livestock feeding, breeding and manure management could reduce CH_4 and N_2O emissions, while improved drainage management could reduce N_2O emissions. Additionally, post-harvest losses are estimated at between 20% and 50% of food produced in SSA, which is why Sustainalytics considers reduction in crop/food losses by at least 20% credible.

Increasing Access to Affordable Housing in Sub-Saharan Africa
SSA is experiencing rapid urbanization and growing slum populations as the urban population is expected to reach 1.25 billion by 2050,[35] highlighting the need for affordable housing to meet this growing demand. In 2015, 47% of SSA's urban population and 82% of SSA's rural population were living in unimproved housing.[36] Nevertheless, between 2000 and 2015, the prevalence of improved housing doubled from 11% to 23%, in both rural and urban areas.[36] As such, SBG's financing of affordable or social housing could contribute to the further expansion of access to affordable housing in SSA.

In South Africa, the new housing supply following the Reconstruction and Development Programme of 1994 has failed to keep up with the increase demand in urban areas.[37] In 2018, 13.1% of South African households were still living in informal dwellings, [38] even though household dwelling ownership increased by 6.62% between 2009 and 2015.[41]The country is therefore committed to bridge the housing market gap, notably through establishing partnerships with the private sector.[39] SBG being the largest lender to the affordable housing sector,[21] Sustainalytics is of the opinion that the projects funded through the Framework could assist SA's government in meeting this target, by investing in affordable or social housing.

Achieving Gender Equality in the South African Economy
In 2020, South Africa was ranked 17th out of 149 countries in terms of gender equality, moving up two positions compared to 2019.[40] However, gender gaps are still present among the South African society. In terms of work participation, the unemployment rate of the labor force (15-64) was higher for females (29.32%) than for males (25.36%), while females were more likely to be employed part-time (12.8%) than males (5.9%).[40] The gender gap in work participation has increased slightly, since 2001 when the unemployment rates for females and males were 26.4% and 23.7% respectively.[41] As such, projects that target the inclusion of women and minority groups in education systems, to improve their chances of employment, may contribute to lowering this gap, on the assumption that educational attainment and employment for women are positively correlated.

Corporate South Africa has historically been focused on empowering black people whilst gender equality was neglected.[42] In 2019, 78.6% of listed companies' board members were male,[40] highlighting the presence of a glass ceiling for women in the corporate world. Thus, the Bank's commitment to finance or refinance woman-owned enterprises may contribute to improved corporate gender equality. Furthermore, SBG intends to improve female financial inclusion by providing women, female owned enterprises and minority groups with access to financial services. Given that women are still facing barriers to credit i.e. legal constraints, employment and income limitations, attitudes towards women, and lack of information,[43] SBG's projects funded through the Framework are relevant in the local context.

Alignment with/contribution to SDGs
The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:[44]

[35] UN Department of Economic and Social Affairs, "World Urbanization prospects 2018 - Urban Population at Mid-Year by region, subregion and country, 1950-2050", (2018), at: https://population.un.org/wup/Download/
[36] Housing are considered "unimproved" if they have at least one of the following characteristics: unimproved water supply; unimproved sanitation; more than three people per bedroom; and house made of natural or unfinished materials.
Tusting, L., et al., (2018), "Mapping changes in housing in sub-Saharan Africa from 2000 to 2015", Nature Research, at: https://www.nature.com/articles/s41586-019-1050-5
[37] The Conversation, "South Africa urgently needs to rethink its approach to housing", (2014), at: https://theconversation.com/south-africa-urgently-needs-to-rethink-its-approach-to-housing-78628
[38] Statistics South Africa, "General Household Survey 2018", (2019), at: http://www.statssa.gov.za/publications/P0318/P03182018.pdf
[39] Republic of South Africa, "National Development Plan 2030: Our future - make it work", (2012), at: https://www.gov.za/issues/national-development-plan-2030
[40] World Economic Forum, "Insight Report – Global Gender Gap Report 2020", (2019), at: http://www3.weforum.org/docs/WEF_GGGR_2020.pdf
[41] Statistics South Africa, "Gender Series Volume I: Economic Empowerment, 2001-2014", (2014), at: http://www.statssa.gov.za/publications/Report-03-10-04/Report-03-10-042014.pdf
[42] Lucas, L., (2007), "Unpacking Globalization: Markets, Gender, and Work", at: https://rowman.com/ISBN/9780739121580/Unpacking-Globalization-Markets-Gender-and-Work
[43] Minister of Women, Youth and Persons with Disabilities, "The Status of Women in the South African Economy", (2015), at: https://www.gov.za/sites/default/files/gcis_document/201508/statusofwomeninsaeconomy.pdf
[44] Alignment of the Use of Proceeds categories to SDGs and SDG targets is guided by the ICMA mapping to the SDGs

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Non-Energy GHG Emission Reduction	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
Climate Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Energy Efficiency	7. Affordable Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Management of Natural Resources	2. No Poverty	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
	14. Life below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Sustainable Water	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater

		and substantially increasing recycling and safe reuse globally 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Electricity Distribution Networks	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Social Infrastructure (Health & Education)	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
Improved Access to Funding for SMEs & Micro Businesses	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Women in the Economy	5. Gender Equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life 5.A Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws

Conclusion

SBG has developed the Standard Bank Group Sustainable Bond Framework under which it will issue sustainability bonds and use the proceeds to finance a wide range of environmental and social projects. Sustainalytics considers that the projects funded by the sustainability bond proceeds will provide positive environmental and social impact.

The Standard Bank Group Sustainable Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Standard Bank Group's Sustainable Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals. Additionally, Sustainalytics is of the opinion that SBG has sufficient measures to identify, manage and

mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Standard Bank is well-positioned to issue sustainability bonds and that the Standard Bank Group Sustainable Bond Framework is robust, transparent and in alignment with the four core components of the GBP and SBP.

Appendices

Appendix 1: Sustainalytics' Assessment of Green Building Certifications

	GBCSA	Energy Water Performance	EDGE	LEED
Background	The Green Building Council SA (GBCSA) was formed in 2007, based on the Australian Green Star rating system. Each Green Star SA rating tool reflects a different market sector (e.g. new buildings & major refurbishments, existing building performance, interiors etc.)	Created in 2011 by the Green Building Council South Africa, the Energy Water Performance Tool is an operational performance measurement tool which rates the performance of a whole office building, by comparing the energy and water usage figures against a national "average" benchmark that is adjusted.	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries. EDGE has been adapted for the local South African context, especially in light of the SANS 10400 Part XA energy efficiency building code. This code was promulgated for all new buildings in 2011.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USBGC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	1 Star (Minimum Practice) 2 Star (Average Practice) 3 Star (Good Practice) 4 Star (Best Practice) 5 Star (South African Excellence) 6 Star (World Leadership)	1 Less Efficient 2 Less Efficient 3 Less Efficient 4 Less Efficient 5 Industry Average 6 More Efficient 7 More Efficient 8 More Efficient 9 More Efficient 10 More Efficient	Certified/Non-certified	Certified Silver Gold Platinum
Areas of Assessment: Environmental Project Management	Management is one of the nine areas assessed by the standard.	None – Performance based certification	Management is part of the Core Framework of EDGE[45]	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.
Areas of Assessment: Environmental Performance of the Building	Indoor Environment Quality Energy Transport Water Materials Land Use and Ecology Emissions Innovation	Energy Water	Climatic Conditions of the Location Building Type and Occupant Use Design and Specifications Calculation of the End Use Demand	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority
Requirements	Point system, "category score" awarded based on performance (% of points achieved) within a given category. Total score is then given out of 144 (plus max 10 points for innovation i.e. total = 154).	Potable Water Performance: no requirement. A score of 1-10 may be awarded for percentage improvements in water efficiency compared to benchmarks. Energy: to be eligible 12 months of historic energy consumption data for the building must be available. A score of 1-10	To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is

[45] EDGE Methodology Report available at: https://www.edgebuildings.com/wp-content/uploads/2018/10/181018-EDGE Methodology-Version-2.pdf

		may be awarded where percentage reductions in energy consumption are achieved during the performance period. The score is awarded based on the level of the building's actual energy efficiency performance against benchmarks		designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).
Performance display				
Accreditation	Certification by an independent panel commissioned by the GBCSA to review ratings.	Certification by an independent panel commissioned by the GBCSA to review ratings.	As of May 2019, accreditation for the EDGE certification was provided by 637 independent EDGE experts worldwide	LEED AP BD+C LEED AP O+M
Qualitative considerations	Commonly used in Australia, New Zealand, and South Africa. Set up similar to BREEAM and LEED. Some suggest that Green Star is less stringent than BREEAM, and that a 6-star rating is roughly equivalent to "very good", however the Green Star system has been updated since most assessments have been published, so may now be more stringent. Tailored to countries with varied climates.	Limited to water and energy performance. Credible since it is enforced by the Green Building Council (SA).	Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.	Widely recognized internationally, and strong assurance of overall quality.

Appendix 2: Sustainalytics' Assessment of Rainforest Alliance certification

	Rainforest Alliance[3]
Background	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.
Clear positive impact	Promoting sustainable practices in agriculture, forestry and tourism.
Minimum standards	Rainforest alliance establishes a minimum threshold for impact through critical criteria and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.
Scope of certification or programme	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.
Verification of standards and risk mitigation	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.
Third party expertise and multi-stakeholder process	Standard setting is aligned with the ISEAL Standard Setting Code.
Performance Display	
Third-party verified	• Africert • Conservacion y Desarrollo Certified S.A. • Imaflora • IMO India • CERES • IBD • Indocert • NaturaCert • Productos y Procesos Sustenables, A.C. • NEPCon
Qualitative considerations	Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.

Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Standard Bank Group
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable*: [specify as appropriate]*	Standard Bank Group Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	19/2/2019
Publication date of review publication: ***[where appropriate, specify if it is an update and add reference to earlier relevant review]***	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers the eligible projects, namely (i) renewable energy, (ii) non-energy GHG emission reduction, (iii) climate adaptation, (iv) energy efficiency, (v) green buildings, (vi) clean transportation, (vii) pollution prevention and control, (viii) sustainable management of natural resources, (ix) sustainable water, (x) electricity distribution networks, (xi) affordable housing, (xii) social infrastructure (health & education), (xiii) improved access to funding for SMEs & micro businesses and (xiv) women in the economy to have positive environmental or social impacts and to advance the UN Sustainable Development Goals 2, 3, 4, 5, 6, 7, 8, 11, 12, 13, 14, and 15.

Use of proceeds categories as per GBP:

☒ Renewable energy	☒ Energy efficiency
☒ Pollution prevention and control	☒ Environmentally sustainable management of living natural resources and land use
☒ Terrestrial and aquatic biodiversity conservation	☒ Clean transportation
☒ Sustainable water and wastewater management	☒ Climate change adaptation
☐ Eco-efficient and/or circular economy adapted products, production technologies and processes	☒ Green buildings
☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs	☐ Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

☒ Affordable basic infrastructure	☒ Access to essential services
☒ Affordable housing	☒ Employment generation (through SME financing and microfinance)
☐ Food security	☒ Socioeconomic advancement and empowerment

☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs

☐ Other (please specify):

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

SBG's internal process in evaluating and selecting projects is handled by the Sustainable Finance Business Unit with additional support from Environmental & Social Risk and Group Treasury. Potential projects and/or assets are submitted to the Asset and Liability Committee ("ALCO") and the ALCO is responsible for final approval and ensuring alignment with the eligibility criteria outlined in the Framework. This process is aligned with market practice.

Evaluation and selection

☒ Credentials on the issuer's social and green objectives

☒ Documented process to determine that projects fit within defined categories

☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds

☒ Documented process to identify and manage potential ESG risks associated with the project

☐ Summary criteria for project evaluation and selection publicly available

☐ Other *(please specify):*

Information on Responsibilities and Accountability

☒ Evaluation / Selection criteria subject to external advice or verification

☐ In-house assessment

☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

SBG's processes for management of proceeds is primarily overseen by the Sustainable Finance Business team. SBG is committed to track the receipt and use of proceeds for its green instruments through its internal reporting systems. SBG may hold and/or invest unallocated proceeds, at its own discretion in its treasury liquidity portfolio, in cash or other short term and liquid instruments. This process is aligned with market practice.

Tracking of proceeds:

☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only
☒ Allocations to both existing and future investments
☐ Allocation to individual disbursements
☒ Allocation to a portfolio of disbursements
☐ Disclosure of portfolio balance of unallocated proceeds
☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

SBG intends to report the allocation of proceeds on the Investor Relations page of its website, on an annual basis, until full allocation of proceeds. SBG is committed to engaging a third-party auditor to review its reporting process, which is considered market best practice. In addition, SBG is committed to reporting on relevant impact metrics. Sustainalytics views SBG's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☐ Project-by-project
☒ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other *(please specify):*

Information reported:

☒ Allocated amounts
☐ Sustainability Bond financed share of total investment
☐ Other *(please specify):*

Frequency:

☒ Annual
☐ Semi-annual
☐ Other (please specify):

Impact reporting:

☐ Project-by-project
☒ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other (please specify):

Frequency:

☒ Annual
☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings
☒ Decrease in water use
☒ Target populations
☒ Energy Savings
☒ Number of beneficiaries
☐ Other ESG indicators (please specify):

Indicative Impact Indicators	
Renewable Energy	• Total installed capacity MW • Annual Generated Renewable Power (MWh/year) • Estimated annual CO_2 equivalent emission reduction (tons CO_2eq/year) • Number of people with access to clean energy services • Estimated number of jobs created
Non-energy GHG Emission Reduction	• Description of refrigerants replaced with lower global warming potential solutions
Climate Change Adaptation	• Description of the specific climate risk being addressed by the investment and how the project improves resilience to climate change
Energy Efficiency	• Estimated annual CO_2 equivalent emissions reduction/avoidance (tons CO_2eq/year)) • Annual energy savings (MWh/year)
Green Buildings	• Number of green buildings funded by eligible certification (e.g. EDGE) • Total m^2 of green buildings funded • Total m^2 of energy efficient property funded • Estimated annual CO_2 equivalent emissions reduction/avoidance (tons CO_2eq/year) • Number of mortgages provided to green certified houses/residential projects • Number of people benefitted
Clean Transportation	• Annual GHG emission reductions (tCO_2eq/year) of rail/water/ conveyor route in comparison to road transport. • Number of people with access to sustainable transport systems • Level of service (passenger.km/year) • Number of low carbon vehicles financed • Number of electric vehicles charging points installed

Pollution Prevention and Control	• Total installed capacity MW from waste to energy • Annual Generated Waste to Energy Power (MWh/year) • Annual GHG emission reductions (TonsCO_2eq/year) • Annual waste used for energy (tons/year) • Annual waste reused or recycled before and after the project • % emission improvements

Sustainable Management of Natural Resources	• For agriculture projects:
	  ○ Annual non-GHG emission reduction (e.g. reduction of N2O fertilizer emissions)
	  ○ Productivity gains due to climate smart agriculture (tons of product type/ha year)
	• Reduction in post-harvest losses (tons of product type/year)
	• Area (ha/year) of biodiversity conserved
	• Area (ha/year) of forestation or reforestation
	• Amount/size (ha/year) of sustainable agriculture, animal husbandry, fisheries etc

Sustainable Water	• Annual Volume of water saved/recycled (m^3/year) • Annual Volume of wastewater treated for reuse (m^3/year) • Additional number of people with access to safe drinking water
Electricity Distribution Networks	• Annual number and length (km/year) of networks financed • Investment per target population (US$MM/thousand persons) • Number of people with access to safe electricity distribution networks • Annual avoidance of energy losses (MWh/year) • Renewable energy capacity integrated (MW) • Estimated annual GHG emission reduction (tonsCO_2eq/year)
Affordable Housing	• Number of people with access to safe, affordable and sustainable housing • Number of affordable and sustainable housing units built • Number of mortgages provided
Social Infrastructure (Health & Education)	• Number of education facilities financed • Number of people with access to education facilities or courses • Additional student projected intake • Number of health facilities financed • Number of new or existing health care facilities that have experienced increases in capacity as a result of financing i.e. additional hospital beds • Number of people with access to health care • Number of households with access to childcare facilities
Improved Access to	• Number of MSMEs financed & Value of MSME loans

Funding for SMEs	• Estimated number of jobs created
Woman in the Economy	• Number of women and or people from minority groups with access to education facilities or courses • Number of females and or people from minority groups with increased access to affordable credit, payment service, or saving account • Number of female owned enterprises funded • Estimated number of jobs created

Means of Disclosure

☐ Information published in financial report
☒ Information published in sustainability report
☐ Information published in ad hoc documents
☐ Other (please specify):
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

https://www.standardbank.com/pages/StandardBankGroup/web/sustainableDevelopment.html
https://sustainability.standardbank.com/

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)
☐ Certification
☐ Verification / Audit
☐ Rating
☐ Other *(please specify):*

Review provider(s): **Date of publication:**

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

i. Second Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond Framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond Framework, or Use of Proceeds certified against a recognized external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond Framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

Disclaimer

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond Frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization and supports various stakeholders in the development and verification of their Frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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