

Every milestone counts on Absa's sustainability journey

By [Lesego Rammusi](#), issued by [Trialogue](#)

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On 6 May 2021, the International Finance Corporation (IFC) issued a statement saying they were poised to award credit in the amount of \$150m to Johannesburg-based Absa Group, in what they labelled as "Africa's first certified green loan". This finance would bolster the bank's funding for green projects and strengthen its position as a leader in financing renewable projects in South Africa.



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While countries in Africa may be least responsible for the severity of the climate change we are currently experiencing, it is also the continent on which the impacts are likely to be most readily felt. A just transition to renewable energies is needed, particularly in those countries that have until now depended on fossil fuels to provide much-needed employment. The way in which that transition occurs will be vastly different to how it comes about in other, more developed markets, so sustainable finance solutions are vital if we want to drive inclusive growth and mitigate alarming climate impacts.

Absa Group was the first South African company to voluntarily include a climate-change resolution in its 2020 AGM agenda, with a view to investing substantial resources in understanding, and ameliorating, climate change. We were a founding signatory to the United Nations Principles for Responsible Banking and signed an agreement with the Multilateral Investment Guarantee Agency, which includes financing climate action. We also established the dedicated Sustainable Finance

team in our Corporate and Investment Banking business; elevated Sustainability Risk within our Risk Management Framework and published our first Task Force Report, early last year, on Climate-Related Financial Disclosures.

We also announced sustainable finance targets and have financed 33 deals, or 46% of South Africa's renewables projects, to date, making us one of the leading financiers for the country's extensive renewable energy programmes. In addition, we are a lead arranger and senior lender in South Africa's largest concentrated solar-powered tower plant, valued at R12bn. We partnered with the Council for Scientific and Industrial Research to do a pilot on climate change impacts and have committed to developing standards for the oil, gas and mining sectors before the end of the year.

In light of COP26 and the energy transition

An important COP26 webinar for all finance institutions – *The Power to Transform: Leveraging Sustainable Finance for the Energy Transition* – was held on 4 November 2021. The speakers focused on the financial innovation needed, on a global basis, to unlock the capital to drive what they referred to as the "energy transition". This they defined as a shift away from fossil-fuel-linked energy production and consumption towards renewable energy sources in which regulation would see investors prioritising environmental, social and governance (ESG) factors.

Here in South Africa, Absa Group has shown its commitment to a just transition to net-zero emissions along its now-lengthy sustainability journey. Foremost among these is, of course, our 2019 pledge to take an active leadership role in encouraging sustainable practices and enabling economic activities that create shared prosperity for current and future generations. The Principles for Responsible Banking pledge we made is supported by a strong implementation and accountability framework. By adding our signature, Absa Group has committed to set, publish and implement ambitious targets to scale up positive and address negative impacts in line with global and local goals. To tackle this task unhindered, the bank set out in its 2020 Environmental, Social and Governance Report a strategy for "creating inclusive growth in Africa, and delivering financial products and services in a socially and environmentally responsible manner".

Our approach is governed by six principles: commitment to diversity; stakeholder engagement and strategic partnerships; sound risk management, including environmental and social considerations; ethical behaviour, sound corporate governance and transparent communications; investing in digitisation and innovation to deliver solutions to customers, employees and society; and positive social and business impacts.

Because of the group's belief in the link between our own sustainability and the sustainability of the communities, and even countries, in which we operate or have a presence, four additional pillars were highlighted in the report, which serve to streamline our "role in society strategy". For other companies that have fallen behind and are striving to inform their own sustainability strategy, the four pillars of inclusive finance, environmental sustainability, a just society, and education and skills development provide valuable food for thought.

Investment platform lines up its green assets

Dr Patrice Motsepe's African Rainbow Energy and Power (AREP) and Absa Group joined forces in August 2021 to launch African Rainbow Energy, an African-led renewable energy investment platform. The agreement between the parties was that AREP would make an initial investment of renewable energy assets, with a capacity of more than 700 megawatts in the entity; while Absa Group would invest R500m in cash together with the transfer, to the entity, of R5bn of our own green assets.

This comes at a time when the country has been steadily increasing the use of renewable energy sources, and will result in African Rainbow Energy owning around R6.5bn of gross assets, covering 31 renewable assets, and making it one of the largest and most diverse independently-owned energy businesses in the region.

Of interest for investors is that renewables have proved one of the most successful asset classes globally, offering a unique mix of attractive long-term, inflation-linked returns and growth, according to African Rainbow Energy CEO, Brian Dames. Jason Quinn, the Absa interim group chief executive, has said that the participation in African Rainbow Energy underscores Absa's commitment to support renewable energy development and enhance the green economy, as part of the Group's sustainability agenda. Absa will be targeting financing or arranging more than R100bn for ESG-related projects by 2025.

Sound finance enables a sustainable future

"When the financial system shifts its capital away from resource-hungry, brown investments to those that back nature... everybody wins in the long-term," Inger Andersen, executive director of the United Nations Environment Programme, has said. It is true that the Principles for Responsible Banking, among other initiatives undertaken by Absa Group, have provided an effective framework to help us systematically identify and seize new business opportunities created by the emerging sustainable development economy.

Because a 'take-make-waste' model will quickly impoverish future generations, it is essential that other financial institutions follow suit in making firm commitments that will bring about a sustainable future. We urgently need to make inclusive growth a reality, and take active steps to reverse damaging climate change impact, if we are to achieve a better world for ourselves and for our children.

Absa sponsors the topic *The Nexus of Social and Environmental Sustainability* on the Trialogue Knowledge Hub. Read more here: <https://trialogueknowledgehub.co.za/index.php/nexus-of-social-and-environmental-sustainability>.

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