FIRSTRAND LIMITED

ORDINARY RESOLUTION PROPOSED BY THE RAITH FOUNDATION AND JUST SHARE NPC

Section 65(3) of the Companies Act provides that "any two shareholders of a company:

> (a) may propose a resolution concerning any matter in respect of which they are each entitled to exercise voting rights; and
>
> (b) when proposing a resolution, may require that the resolution be submitted to shareholders for consideration-
>
> ….. (ii) at the next shareholders meeting…"

Paragraph 10.11(b) of Schedule 10 of the JSE Listing Requirements provides that an ordinary resolution is subject to a minimum notice period of 15 business days. In accordance with the above, the RAITH Foundation and Just Share NPC submit the following resolution for consideration by FirstRand Limited's (the Company's or FirstRand's) shareholders at the Company's annual general meeting to be held on 28 November 2019[1]:

Brief explanatory note to the resolution

1. FirstRand Limited

a. Banks' financing choices have a major role to play in promoting carbon reduction. Bank lending and investments make up a significant source of external capital for carbon intensive industries. Every Rand invested by South African banks in fossil fuel-related assets increases climate risk, renders it harder to achieve a just transition to a low-carbon economy, and exposes those banks to financial, reputational and litigation risks.

b. FirstRand appears to have been an early leader in the public recognition of climate risk to the financial sector. In its *Climate Change Statement* of August 2010[2], the Company stated that "*[i]nvestment and financing decisions have the potential to profoundly change South Africa's GHG emissions footprint and could play a major role in the transition to a low carbon economy in South Africa*". It also acknowledged that "*a large portion of our climate change risk is as a result of our client's* [sic] *exposure to risk*".

c. In the 2010 statement, FirstRand's then-CEO, Sizwe Nxasana, said that *"FirstRand has leading governance structures for addressing climate change, have* [sic] *a climate change policy, Board oversight and senior management responsibility, employee training and public disclosure efforts. This places FirstRand at an advantage for effectively implementing strategy in addressing climate change risks. Sound corporate governance practices position FirstRand to take early action on emerging opportunities related to climate change. As a developing country we cannot miss the opportunity of transition towards a low carbon economy. Sustainable economic development is not a luxury, but a requirement to strategically position our economy for this century".*

[1] https://www.firstrand.co.za/InvestorCentre/Pages/investor-info.aspx

[2] https://www.banktrack.org/download/climate_change_statement/fsr_climate_change_statement_17_08_10_0.pdf

d. Six years later, the *FirstRand Climate Change and Energy Report 2016*[3] asserted that *"FirstRand is committed to assisting in the transition towards a low-carbon economy and supporting the Paris Agreement to keep global temperature increases below 2°C".* In relation to "*Managing indirect climate risks to FirstRand's financing activities arising from risks to clients",* the 2016 Report stated that *"FirstRand has incorporated the management of indirect climate change risks into client credit risk reviews as part of its lending application processes".*

e. However, FirstRand's progress on addressing climate risk now seems to have stalled: it has not adopted publicly available policies on the financing of fossil fuels, nor has it improved its disclosure on the extent to which its lending, investing and financing activities are exposing the Company and its shareholders to climate risk, and exacerbating the climate crisis by hindering the transition to a low carbon economy. This is information which shareholders urgently need in order to make informed investment decisions.

f. FirstRand's 2018 Integrated Report refers to the fact that a "*Climate change statement detailing the group's commitment to monitor and mitigate the effect of its operations on the climate was approved*", but it is unclear whether this refers to the Company's 2016 *Climate Change and Energy Report*, or to a different statement which is not publicly available.

g. Furthermore, the Company's 2018 reports focus exclusively on emission reduction targets in relation to its direct, operational emissions. FirstRand does not describe its climate-related risks in its lending and other intermediary roles. There is no mention, despite significant public and shareholder interest in these projects over the past two years, of whether FirstRand will finance two proposed new coal-fired power stations, Thabametsi and Khanyisa. In its 2017 Environmental and Social Risk Report, the Company said that it was "concerned about climate change and the risks it poses for Africa, clients and their businesses," but argued that developing nations and financial institutions face a dilemma in terms of balancing climate change against the "need to support economic growth and the energy supply that underpins it".[4] FirstRand does not describe how it manages this "dilemma" in its financing decision-making processes.

h. In summary, despite its early recognition of climate risk, FirstRand is not currently disclosing adequate information about its financing of fossil-fuel related assets to enable shareholders to make informed investment decisions. The purpose of this resolution is to provide all shareholders with the opportunity to indicate their support for improved disclosure.

2. The international context

a. Internationally, increasing numbers of banks have adopted policies to reduce carbon exposure in their loan and investment portfolios, including by ending or substantially reducing financing for new coal-fired power, coal mining, and oil and gas projects. Research from the Institute for Energy Economics and Financial Analysis, released on 27 February 2019, finds that over 100 major global financial institutions have introduced policies restricting coal funding.[5]

---

[3] https://www.firstrand.co.za/Sustainability/EquatorPrinciplesReports/2016%20FirstRand%20climate%20change%20and%20energy%20report.pdf

[4] At page 14

[5] http://ieefa.org/ieefa-report-every-two-weeks-a-bank-insurer-or-lender-announces-new-coal-restrictions

b. The Paris Agreement of 2015, agreed to by 197 parties, including South Africa[6], commits to holding the increase in the global average temperature "*to well below 2˚C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5˚C above pre-industrial levels*."[7] The World Economic Forum states that *"the results of climate inaction are becoming increasingly clear*", and ranks extreme weather events and the failure of climate-change mitigation and adaptation as the top two risks facing the world in 2019.[8]

c. The Financial Stability Board[9], an international body that monitors and makes recommendations about the global financial system, set up the Task Force on Climate-Related Financial Disclosures (TCFD)[10], chaired by Michael Bloomberg, to establish a set of recommendations for disclosing clear, comparable, and consistent information about the risks and opportunities presented by climate change.

d. In its Supplemental Guidance for the Financial Sector, the TCFD states that *"A key element of the FSB's proposal for the Task Force was the development of climate-related disclosures that 'would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks'".*[11]

e. The TCFD highlights that: "***Banks are exposed to climate-related risks and opportunities through their lending and other financial intermediary activities as well as through their own operations****. As financial intermediaries, banks may assume exposure to material climate-related risks through their borrowers, customers, or counterparties. Banks that provide loans or trade the securities of companies with direct exposure to climate-related risks (e.g., fossil fuel producers, intensive fossil fuel consumers, real property owners, or agricultural/food companies) may accumulate climate-related risks via their credit and equity holdings. In particular, asset-specific credit or equity exposure to large fossil fuel producers or users could present risks that merit disclosure or discussion in a bank's financial filings* ***… Investors, lenders, insurance underwriters, and other stakeholders need to be able to distinguish among banks' exposures and risk profiles so that they can make informed financial decisions***."[12]

Resolution text on next page.

---

[6] South Africa ratified the Paris Agreement on 1 November 2016. See https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en

[7] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement. In October 2018, the Intergovernmental Panel on Climate Change's released a report which concluded that even the 2 degree limit in the Paris Agreement is insufficient to limit the worst impacts of climate change, and that "*rapid, far-reaching changes*" must be made to ensure that net emissions of carbon dioxide fall to 45% of 2010 levels by 2030, reaching "net zero" around 2050, to avoid disastrous levels of global warming: see https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/

[8] https://www.weforum.org/agenda/2019/01/these-are-the-biggest-risks-facing-our-world-in-2019

[9] https://www.fsb.org/

[10] https://www.fsb-tcfd.org/about/

[11] TCFD. Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, p22

[12] TCFD. Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, p 23 (emphasis added)

RESOLUTION:

FirstRand states that it "supports the recommendations of the TCFD and initiated a project during the 2018 financial year to begin implementing the recommendations of the TCFD."[13]

It is therefore resolved that:

a. The Company should prepare a consolidated report to shareholders, by no later than end October 2020, at reasonable cost and omitting proprietary information, on its assessment of its exposure to climate-related risks (transition and physical) in its lending, investing and financing activities, including:
    i. The amount and percentage of fossil fuel-related assets relative to total assets;
    ii. A description of any significant concentrations of credit exposure to fossil fuel-related assets; and
    iii. The amount of lending and other financing connected with climate-related opportunities.[14]

    and

b. The Company should adopt and publicly disclose on its website, by no later than end October 2020, a policy on lending to fossil fuel-related projects, including coal-fired power plants, coal mining operations and oil and gas exploration and production projects.

Percentage of Voting Rights Required

The minimum percentage of voting rights that is required for this Ordinary Resolution to be adopted is more than 50% (fifty percent) of the voting rights to be cast on the Ordinary Resolution.

[13] FirstRand 2018 Report to Society, p64
[14] See "Climate-related opportunities", p6 TCFD Final Recommendations