



Investor briefing:

**Update: South African
banks and climate change**

JUST SHARE

April 2020



Update: South African banks and climate change

- Standard Bank refuses to table climate risk shareholder resolution
- Absa Bank includes “non-binding advisory vote” on climate risk disclosure in Notice of AGM
- Investec Bank publishes group fossil fuel policy
- Nedbank and FirstRand: status update

While the world’s immediate priorities have understandably shifted to focus on the COVID-19 pandemic, the risks posed by climate change remain unaltered. The coronavirus is showing us the importance of early action in tackling global threats, and it is crucial that we do not emerge from this crisis to find that we are in an even worse position to tackle climate change.

Last week, there were three significant developments at South African banks in relation to the disclosure and management of climate change risks.

Standard Bank

Standard Bank refused to table a climate risk-related shareholder resolution co-filed by the [RAITH Foundation](#) and [Just Share](#) ahead of its AGM on 29 May 2020 (date to be confirmed).

The [updated resolution](#) recognises that the bank has taken steps to acknowledge the material financial risks posed by climate change, and to improve its disclosure and management of those risks. However, there are still significant gaps in disclosure, and there is a lack of alignment between Standard Bank’s recognition of climate risks and its actions to mitigate these risks.

In addition to requesting an assessment of the bank’s exposure to climate-related risks in its lending, investing and other financial intermediary activities, the resolution requests the adoption and public disclosure of a policy covering the financing of onshore and offshore oil and gas exploration and production; oil and gas pipeline projects; liquefied natural gas (LNG) terminals; and coal-to-liquids projects. This is particularly relevant to Standard Bank because it is “[one of the largest oil and gas lenders in sub-Saharan Africa](#)”.

The co-filers of the resolution have yet to receive a formal decision from the bank’s board or company secretary, but were advised in an email that a shareholder resolution on the issue was “premature” due to updated disclosures that Standard Bank plans to make during 2020. The email further stated that it is Standard Bank’s view that “a Shareholder Resolution is a last resort measure to be used by shareholders when engagement with management on the pertinent issues has been exhausted”.

RAITH and Just Share have asked Standard Bank to provide them with the legal basis for this view, given that section 65(3) of the Companies Act, 2008 is clear on shareholders’ rights to table



resolutions, and that there is no provision in that Act that authorises a company to refuse to table a resolution because engagement on the issue has not been exhausted.

Furthermore, Standard Bank agreed, at the end of February, to engage with RAITH and Just Share on the content of a draft resolution, but then failed to do so, resulting in the formal co-filing of the resolution on 25 March 2020.

There is still time for Standard Bank's board to reconsider its decision, and to affirm the leadership position it took by becoming, in 2019, the first South African company to table a climate change-related shareholder resolution.

Investec

Investec Bank has published a group fossil fuel policy, as well as a "key messaging" document relating to the policy.

The policy "covers coal-fired power generation, coal mining, and oil and gas" in all of Investec's operations, making it the **first fossil fuel financing policy to be published by a South African bank**.

The policy states that Investec "support[s] the Paris Agreement's aim of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and of pursuing efforts towards limiting it to 1.5°C. We also recognise the urgency and need to accelerate action which has been incorporated into our approach."

The bank states that it "will apply prudent due diligence to all fossil fuel activities and require senior decision-making approval". The policy will be reviewed annually.

"Key exclusions" (i.e. activities that Investec will not finance) are:

- mountaintop removal coal mining;
- the new build of conventional coal plants unless under very strict considerations which include meeting required efficiency criteria and there must be a strong socio-economic motivation;
- projects that exploit high conservation areas, for example national parks;
- projects related to tar sands exploitation, Arctic drilling or drilling in the Amazon rain forest.

Investec should be commended for voluntarily adopting and publicly disclosing a fossil fuel policy, and it is clear that the bank has carefully considered its approach to climate risk.

However, despite stating that it supports the goals of the Paris Agreement, Investec has not yet demonstrated that its provision of financial services to the energy sector is in fact aligned with the goals of the Paris Agreement.

The bank commits to disclosing its fossil fuel exposures in its March 2020 Annual Report. If this disclosure is comprehensive, Investec will be the first South African bank to make this information public.



Absa Bank

In its Notice of Annual General Meeting released on 1 April 2020, Absa has voluntarily included a “Non-binding advisory vote on climate change risk and opportunity disclosure” (page 9, vote 3), which reads as follows:

“Resolved that the Company, in its integrated report next year, provide shareholders with an assessment of its exposure to climate change risk in its lending and financing portfolios, and of the opportunities to finance climate change mitigation and adaptation, including:

- a) the quantum of its loans to carbon-related assets and the percentage to total loans;*
- b) a description of any significant credit concentration to carbon-related assets and how it manages the associated risks; and*
- c) its financing of climate-related opportunities.”*

Absa’s board states that “although this vote is non-binding, the Board values shareholders’ views and will review the voting. ... This disclosure represents the first step in a multi-year journey to integrate sustainability into our strategy and operations, while being transparent about, and accountable for, creating shared prosperity for current and future generations, in line with the PRB [Principles for Responsible Banking]”.

Absa has taken the unprecedented step of voluntarily including a shareholder vote on climate risk in its Notice of AGM, for which it should be congratulated. Institutional investors should use this opportunity to indicate their commitment to managing the material financial risks posed to their clients by climate change, by voting in favour of the resolution.

However, it is unclear on what legal basis the bank has made this vote a “non-binding advisory vote”. The only non-binding advisory shareholder votes provided for in South African law are those in terms of JSE Listings Requirement 3.84(k), on remuneration policies and remuneration implementation reports.

Just Share will be seeking clarity from the JSE on whether companies are permitted to make other issues the subject of non-binding advisory shareholder votes.

Nedbank

Just Share has been engaging with Nedbank in relation to its climate risk disclosures, and resolutions to be tabled at its upcoming AGM, and we expect the bank to release further information soon.

FirstRand

At the company’s AGM on 28 November 2019, 99.9% of shareholders voted in favour of a climate risk shareholder resolution that requires the bank to adopt and disclose a policy on fossil fuel lending by end October 2020. At the AGM, the bank’s Chairman also committed to releasing a “full roadmap for FirstRand’s climate risk disclosure” in 2020.

FirstRand published a Thermal Coal Financing Policy in August 2019.