Climate risk shareholder resolutions timeline:

FirstRand Group Limited

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October 2022

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2021

On 15 September, FirstRand published an updated Policy on Energy and Fossil Fuels Financing ("the energy policy") and, for the first time, a Climate Change Policy.

The energy policy represents a significant improvement on the bank's previous energy-related policies – including confirmation that it will "no longer finance new coal-fired power stations with immediate effect", and the acknowledgment of the material risk posed to the South African economy by "long term gas lock-in". FirstRand's position regarding new coal-fired power plants is long overdue, but FirstRand is only the second of South Africa's big five banks (after Nedbank), to make such a commitment. FirstRand has also indicated that, as from 2026, it will no longer provide direct project financing for new coal mines. This is a year later than Nedbank, which has also completely excluded financing of thermal coal mines outside of South Africa.

Also from 2026, the bank will reduce the cap on its coal financing drawn advances from 2% to 1.5% of advances; and to 1% from 2030. Expressing these caps as percentages could result in a misleading impression of the bank's exposure to coal; particularly given its intention to increase its financing of low-carbon technologies. **The caps should be based on real-world emissions, rather than percentages of the bank's exposure.**

FirstRand has added two circumstances in which it will not finance oil and gas projects, and has, without explanation, removed one exclusion ("unmitigated or unrestricted gas flaring"). The new exclusions refer to "unacceptably carbon intensive production"; and "high cost" developments that would have a "high carbon intensity and would be incompatible with the country's Paris Accord obligations". Without more detail and definitions, these vague exclusions are not useful.

FirstRand's long-term ambition to "be net zero by 2050 for scope 1, 2 and 3 emissions" is laudable in its inclusion of scope 3 – its financed emissions. But this broad ambition falls short of a firm commitment and puts the bank behind many of its peers who are already making more ambitious commitments. Nedbank's energy policy, for example, commits to the bank having "zero exposure to all activities related to fossil fuels [except when required to back up renewable power] by 2045".

In addition, it is essential that long-term ambition be accompanied by short-, and medium–term targets for reducing the bank's financed emissions (including, as climate science demands, a 50% reduction by 2030), and meaningful exclusions for financing. Despite FirstRand's indication that it will "regularly articulate updated decarbonisation commitments for its operational and financed emissions", and that it will "incrementally publish more detailed financed emissions data and assumed transition pathways in its TCFD reports each year", the bank's new policies make no specific commitments or targets in relation to the reduction of its scope 3 or financed emissions.
FirstRand indicated that its forthcoming TCFD report would provide "a more comprehensive view of FirstRand's climate change strategy and initiatives, including its business commitments to the

facilitation of sustainable finance flows, as well as granular information on the group's climate risk profile and underlying operational and financed emissions". This TCFD report will be an opportunity for FirstRand to address some of the gaps in its policies.

FirstRand published its TCFD report on 28 October 2021. The report discloses that the bank has R10,65 bn exposure to thermal coal mines, and upstream, mid and downstream oil and gas; R933 m exposure to fossil gas; R3 bn to coal-fired power and R2,28 bn to gas-fired power. The report comments that FirstRand has "materially improved its ability to measure its scope 3 financed emissions across product classes and sectors and will incrementally publish more detailed financed emissions data and assumed transition pathways in its TCFD reports each year".

Read about this in more detail.

2020

On 9 October 2020, FirstRand released its Integrated Report 2020, which included its climate change programme roadmap (page 36-39), "aligned" with the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations. In this *Supplementary Climate Change Disclosure*, FirstRand disclosed that its "drawn exposure" was some R19,7 bn in fossil fuels, plus R8,7 bn in electric utilities. FirstRand indicated that this section would, in 2021, be replaced by more comprehensive disclosure aligned to the formal TCFD reporting framework.

FirstRand also released its Energy Financing Policy. This fulfilled the bank's obligation pursuant to overwhelming shareholder support for Just Share's proposed shareholder resolution tabled at FirstRand's 2019 AGM (see below). The Bank's policy contains some exclusions, several of which have no relevance to Africa. It does, however, exclude financing for: unmitigated or unrestricted flaring of gas; shale oil and shale gas fracking in a water-scarce area; projects with a critical impact on a protected area or on wetlands of international importance and/or that result in the destruction of High Conservation Value areas; and any associated infrastructure projects mainly dedicated to these projects (like pipelines).

2019

FirstRand's Notice of AGM (page 280-283), released on 8 October 2019, included two climate risk shareholder resolutions proposed by the RAITH Foundation and Just Share. FirstRand was the second South African company to table climate risk-related shareholder resolutions. The first was Standard Bank in April 2019. Like the Standard Bank resolutions, the FirstRand resolutions called for improved disclosure on FirstRand's exposure to climate-related risks, and for it to adopt and publicly disclose a policy on lending to fossil fuel-related projects. Both resolutions required more than 50% of shareholder votes to pass.

Ordinary resolution 5 required the bank to prepare a consolidated report to shareholders, by no later than end October 2020, on its assessment of its exposure to climate-related risks (transition and physical) in its lending, investing and financing activities, including:

- *The amount and percentage of fossil fuel-related assets relative to total assets;*
- *A description of any significant concentrations of credit exposure to fossil fuel-related assets; and*
- *The amount of lending and other financing connected with climate-related opportunities.*

FirstRand's board "*fully agreed with the need for a consolidated report on the group's assessment of its exposure to climate-related risks*" but stated that "*the requisite deadline of October 2020 presented an unattainable time frame for the group*".

The resolution received a **high level of shareholder support (33%)**. FirstRand indicated that it "*does not disagree with RAITH and Just Share on the principle of increased disclosure, only on the timeframe*", and that it would publish a "*full roadmap for FirstRand's climate risk disclosure*" in 2020.

Ordinary resolution 6 required the bank to:

> *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.*

Unlike the Standard Bank board, the FirstRand board endorsed the resolution relating to the policy. At the AGM, **99.9% of shareholders voted in favour** of ordinary resolution 6 (that required the bank to adopt and disclose a policy on fossil fuel lending by end October 2020).

In 2019, FirstRand released a Thermal Coal Financing Policy, which does not exclude the funding of coal.

Read about this in more detail here, here, and here.

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