



Investor briefing:

**FirstRand's shareholders
to vote on climate risk
transparency**

JUST SHARE

October 2019



FirstRand's shareholders to vote on climate risk transparency

FirstRand's Notice of Annual General Meeting, released on 8 October 2019, includes two climate risk shareholder resolutions proposed by the RAITH Foundation and non-profit shareholder activism organisation Just Share.

FirstRand is the second South African company to table climate risk-related shareholder resolutions. The first was Standard Bank in April 2019. FirstRand's ordinary resolutions 5 and 6¹, if passed with more than 50% of shareholder votes at the company's 28 November AGM, would require the bank to report on its assessment of its exposure to climate-related risks, and to adopt and publicly disclose a policy on fossil fuel lending.

Tracey Davies, executive director of Just Share, says: "Banks' financing choices have a major role to play in promoting carbon reduction, as bank lending and investments make up a significant source of capital for carbon intensive industries.

"Every Rand invested by South African banks in fossil fuel-related assets increases climate risk, and makes it harder for the country to achieve a just transition to a low-carbon economy. It also exposes those banks to financial, reputational and litigation risks. As a result, banks that lend to the energy sector are under increasing scrutiny – not only from their shareholders, particularly institutional investors, but also from civil society."

The FirstRand board has not endorsed ordinary resolution 5, but has endorsed ordinary resolution 6.

Ordinary resolution 5, if passed, would require 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)² 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.³

FirstRand's board "fully agrees with the need for a consolidated report on the group's assessment of its exposure to climate-related risks", but states that "the requisite deadline of October 2020 presents an unattainable time frame for the group"⁴.

¹ <https://www.firststrand.co.za/media/investors/annual-reporting/firststrand-annual-integrated-report-2019.pdf> at page 280

² The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), categorises climate-related risks into two major types: risks related to the transition to a lower-carbon economy and risks related to the physical impacts of climate change.

³ See "Climate-related opportunities", p6 TCFD Final Recommendations.

⁴ FirstRand's 2019 Annual Integrated Report (see footnote 1), at page 282.



In relation to resolution 6, which would require FirstRand to adopt “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” the board endorses the resolution, stating that the group has already adopted a policy on thermal coal financing, and is “in the process of developing a policy for its oil and gas financing, which will be publicly available in the next 12 months”⁵.

Davies says: “FirstRand was an early leader in recognising the risks that climate change poses to the financial sector, but its progress in tackling the risks appeared to have stalled, which is why we proposed these resolutions. We commend FirstRand for its endorsement of resolution 6, and for its commitment to adopting a broad fossil fuel policy within the next 12 months.

However, the board’s non-endorsement of resolution 5 is concerning, especially in circumstances where many banks around the world are already making this information publicly available. The proposed timeframe is realistic, the need to transition to a low-carbon economy is extremely urgent, and the disclosure requested by these resolutions is essential information for shareholders given the material financial risk posed by climate change. We strongly encourage shareholders to vote in favour of both resolutions.”

FirstRand’s AGM will be held on 28 November 2019 in Sandton, Johannesburg.

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⁵ FirstRand’s 2019 Annual Integrated Report (see footnote 1), at page 283.