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Investor briefing:

Investec sets new benchmark for climate risk disclosure

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Investec is the first South African bank to release a separate report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The report provides shareholders with a clear breakdown of the bank's fossil fuel exposures. Investec has also voluntarily tabled a climate risk-related shareholder resolution in its 2020 Notice of Annual General Meeting, which will be voted on at the company's AGM on 6 August.

The release of Investec's report demonstrates that lengthy timeframes are unnecessary to prepare this level of disclosure. By establishing a clear benchmark, Investec's report will accelerate the provision of comparable climate risk disclosures in the financial sector. It will also drive demand for a faster progression from disclosure only, to taking action in order to achieve alignment with climate goals.

Earlier this year, Investec became the first South African bank to publicly disclose a group fossil fuel policy, covering coal-fired power generation, coal mining, and oil and gas. At the same time the bank committed to disclosing its fossil fuel exposures when it released its annual reports, and to publishing its first separate report aligned with the recommendations of the TCFD.

The TCFD recommendations are a globally recognised framework to guide companies and financial institutions to comparably and consistently measure, manage and disclose climate-related risk exposures.

TCFD disclosure

In delivering on these commitments Investec has presented the most comprehensive fossil fuel exposure information of any local bank so far.

Investec discloses that the percentage of its "gross credit and counterparty exposure" currently exposed to fossil fuels is 1.3% (for Investec Limited and Investec plc combined). The bank also provides additional breakdowns of its exposures in both percentage and monetary terms.

The information is presented in a user-friendly format which sets a high standard for comparability and clarity. For example, the report breaks down Investec Limited's energy portfolio as follows:

- Coal: 14% (R1 496mn)
- Oil: 32% (R3 518mn)
- Natural gas: 28% (R3 071mn)
- **Total fossil fuels: R8 085mn**
- **Renewables: 26% (R 2 821mn)**

Crucially, Investec correctly categorises natural gas as a fossil fuel, and does not try to package its natural gas lending as "green" or "clean".

Investec’s climate change report does not fully align with the TCFD recommendations, and there are some significant gaps: for example, the bank has not conducted any climate scenario analysis (although it plans to do so in the financial year to March 2021). It also does not set out any targets for carbon emission metrics, which is essential for achieving alignment with climate goals.

However, the report clearly articulates a plan for ongoing improvement in disclosures, and the publication of this first report will also allow stakeholders to track the bank’s progress in meeting its commitments.

Climate risk-related shareholder resolution

The shareholder resolutions to be voted on at Investec’s Annual General Meeting on 6 August include **Resolution 15**:

To promote the long-term success of the Investec Group, given the risks and opportunities associated with climate change, the Investec Group and the directors be authorised and directed by the shareholders to:

(i) Continue the Group’s commitment to carbon neutrality with respect to the Scope 1 and 2 emissions of our direct operations;

(ii) Report annually on progress made on the Investec Group’s climate-related exposures. This includes full disclosure of our group’s own-risk exposure to fossil fuels and to high risk industries from a climate perspective.

Investec is the fifth SA bank to table a climate risk-related shareholder resolution. In 2019, Standard Bank and FirstRand tabled resolutions on climate risk disclosure that were filed by shareholders. In 2020 Nedbank and Absa voluntarily tabled similar resolutions (although Nedbank’s resolution was an ordinary resolution, binding on the company, whereas Absa tabled its resolution as a “non-binding advisory vote”).

End